

# MONTANA BUSINESS

BUREAU OF BUSINESS  
& ECONOMIC RESEARCH

Vol. 8 No. 1  
January 1956

SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

A preliminary report on

## WHOLESALE TRADE IN MONTANA—1954

- Total sales by Montana wholesale establishments in 1954: \$697,308,000
- Increase in sales, 1954 over 1948: 21 percent
- Leading wholesale centers: Billings, Great Falls, and Butte

Sales of Montana wholesale establishments totaled \$697,308,000 in 1954, according to a preliminary report of the 1954 Census of Business just released by the U. S. Department of Commerce. This figure represents a gain of 21 percent over 1948, date of the previous business census.<sup>1</sup>

The wholesale trade industry in Montana is made up of a large number of small establishments<sup>2</sup>—1,498 in 1954. In mid-November 1954, these 1,498 wholesale establishments employed 7,813 workers. Total payroll for 1954 was \$29,995,000, an increase of 40 percent over 1948. (Table 1.)

The most common concept of the wholesaler is that of a firm which assembles a variety of goods for resale, taking title to the goods, and usually storing and handling them. Firms of this type are classified as "merchant wholesalers" by the Census Bureau; also included in this category are industrial goods distributors, foreign trade merchants, cash-and-carry wholesalers, drop shippers, and wagon (truck) distributors. Merchant wholesalers in Montana expanded rapidly between 1948 and 1954, with a 44 percent increase in number of establishments, from 386 to 557, and a 38 percent gain in dollar sales, from \$192,164,000 to \$265,407,000.

In addition to merchant wholesalers, another group of businesses plays an important role in wholesale

trade. Classified by the Census as "other types of wholesale establishments," this group includes sales branches and sale offices of manufacturing and mining companies, petroleum bulk plants and terminals, merchandise agents and brokers, and assemblers of farm products (including grain elevators, livestock auctions, and country buyers). Sales by this group of wholesalers are considerably larger than those of wholesale merchants in Montana, amounting to \$431,901,000 in 1954. The increase over 1948 sales was 13 percent despite the decline in agricultural prices between 1948 and 1954 and the importance of assemblers of farm products in Montana wholesaling.

The \$697 million sales by merchant wholesalers and other wholesale businesses reported by the Census of Business do not represent total wholesale sales made by businesses in the state in 1954. Other businesses not included in the Census Bureau survey also make wholesale sales. For example, sales of manufacturers, except those made through separate sales branches, are not included. In Montana, this may mean the exclusion of a large proportion of

TABLE 1  
WHOLESALE TRADE IN MONTANA, 1948 AND 1954

	1948	1954	Percent Change
All Wholesalers:			
Number of establishments	1,338	1,498	12
Number of employees, mid-November	7,434	7,813	6
Payroll for the year (\$000)	21,419	29,995	40
Payroll for one week, mid-November (\$000)	422	620	47
Total sales, entire year (\$000)	575,055	697,308	21
Merchant Wholesalers:			
Number of establishments	386	557	44
Sales, entire year (\$000)	192,164	265,407	38
Other Types of Wholesale Business			
Number of establishments	952	941	- 1
Sales, entire year (\$000)	382,891	431,901	13

<sup>1</sup>The U. S. Department of Labor's wholesale price index for all commodities (in the United States as a whole) increased from 104.4 to 110.3 from 1948 to 1954. (1947-1949 = 100.) However, the wholesale price index for farm products, of major importance in Montana, declined from 107.3 to 95.6 during the same period.

<sup>2</sup>The Census of Business reports each business establishment separately, including those belonging to multiunit organizations.

Source: U. S. Department of Commerce, Preliminary Report, 1954 Census of Business, Wholesale Trade.



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THEODORE H. SMITH, Dean

## BUREAU OF BUSINESS AND ECONOMIC RESEARCH

Member, Associated University Bureaus of Business and Economic Research

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## MONTANA BUSINESS INDEXES

(1935-39 = 100)

Year and Month	Nonagr. Employment <sup>1</sup>	Car-loadings <sup>2</sup>	Electric Power Consumption <sup>3</sup>	General Store Sales <sup>4</sup>	Bank Deposits <sup>5</sup>
1935		110.0	93.7	92.0	92.4
1936		96.6	105.2	100.0	99.4
1937		105.0	109.3	102.6	106.5
1938		85.9	85.5	99.7	95.5
1939	100.0	102.5	106.3	106.0	106.2
1940	105.6	109.8	133.8	111.7	115.4
1941	110.2	122.2	151.2	119.8	134.5
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1953	151.5	150.5	252.7	290.5	420.1
1954	150.1	146.0	220.1	293.4	441.0

### 1954—

October	147.5	164.6	162.4	339.5	509.9
November	149.6	179.8	245.3	352.4	502.8
December	147.9	155.0	248.7	514.4	475.2

### 1955—

January	141.1	151.0	253.6	200.9	483.1
February	140.7	140.9	269.0	194.3	424.3
March	141.7	133.3	246.6	226.5	432.2
April	145.7	136.1	256.1	303.8	425.2
May	151.4	152.2	257.5	306.9	466.0
June	157.8	142.7	267.8	292.0	474.0
July	159.5	152.1	258.1	305.5	452.0
August	161.1	164.7	300.0	328.2	491.9
September	159.8	179.7	350.2	353.4	536.6
October	157.6	195.1	380.0	360.4	554.1
November	153.8		407.1	377.5	535.1

<sup>1</sup>Index numbers computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month. 1939 = 100.

<sup>2</sup>Index numbers computed from reports of Board of Railroad commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Index numbers computed from kilowatt hour sales of Montana Power Co., Montana-Dakota Utilities Co., Pacific Power and Light Co., Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month. Figures from March 1955 revised, to include sales to Anaconda Aluminum Co.

<sup>4</sup>Index numbers computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>5</sup>Index numbers computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

wholesale lumber sales. Nor do the Census data include wholesale sales made by individual farmers and ranchers, or by operators of mines or oil wells (unless they have established separate sales offices). These also are of considerable importance in this state.

Wholesale sales are heavily concentrated in a few cities and counties of the state. Yellowstone County, with Billings within its borders, retained its leadership in wholesaling in 1954, with 25 percent of total sales made by Montana wholesale establishments. (Table 2.) Cascade County (Great Falls) and Silver Bow County (Butte) followed. Together, the three counties (Yellowstone, Cascade and Silver Bow) accounted for almost one-half (48 percent) of total sales. Among merchant wholesalers, 58 percent of total state sales were made by firms in the three counties. Because of the inclusion of farm products assemblers and petroleum bulk plants, sales by "other wholesale establishments" are somewhat less

## RETAIL FOOD PRICE INDEX, MONTANA

(May 1950 = 100)

	All food	Meats, poultry & fish	Dairy products
1954—			
November	108.4	98.3	107.3
December	108.0	97.9	108.2
1955—			
January	109.7	100.6	108.6
February	108.6	101.7	106.5
March	107.4	98.9	108.2
April	108.7	100.4	106.9
May	108.0	99.6	105.4
June	107.2	102.2	105.8
July	108.4	102.1	104.8
August	106.7	98.9	105.2
September	108.6	102.2	104.3
October	107.9	98.1	105.0
November	105.1	93.7	105.4
December	106.1	91.4	108.6

Source: Computed from reports of the Montana Department of Labor and Industry.



TABLE 2

**MONTANA COUNTIES WITH LARGEST WHOLESALE  
BUSINESS IN 1954**

	All Wholesalers			
	1954		1948	
	Sales (\$000)	% of Total	Sales (\$000)	% Change 1948-1954
Montana, Total	697,308	100	575,055	21
Yellowstone	171,257	25	145,719	18
Cascade	83,223	12	72,846	14
Silver Bow	73,720	11	77,968	- 5
Missoula	41,973	6	23,828	76
Hill	28,877	4	18,673	55
Flathead	22,451	3	6,743	233
Roosevelt <sup>1</sup>	19,345	3	—	—
Custer <sup>1</sup>	18,067	3	—	—
Gallatin	17,751	3	9,649	84
Chouteau <sup>1</sup>	16,981	2	—	—
Dawson	16,937	2	11,730	44
Richland <sup>1</sup>	16,689	2	—	—
Fergus	16,516	2	14,803	12
Lewis and Clark	15,689	2	9,691	62

**Merchant Wholesalers**

	1954		1948	
	Sales (\$000)	% of Total	Sales (\$000)	% Change 1948-1954
Montana, Total	265,407	100	192,164	38
Yellowstone	72,270	27	64,991	11
Cascade	47,865	18	34,349	39
Silver Bow	35,474	13	29,282	21
Missoula	25,619	10	18,055	42
Hill	11,569	4	5,447	112
Flathead	14,410	5	4,631	211
Roosevelt <sup>1</sup>	3,863	1	—	—
Custer <sup>1</sup>	4,211	2	—	—
Gallatin	7,569	3	4,762	59
Chouteau <sup>1</sup>	0	0	—	—
Dawson	5,474	2	1,442	280
Richland <sup>1</sup>	4,549	2	—	—
Fergus	4,697	2	3,250	44
Lewis and Clark	11,036	4	7,388	49

**Other Wholesale Establishments**

	1954		1948	
	Sales (\$000)	% of Total	Sales (\$000)	% Change 1948-1954
Montana, Total	431,901	100	382,891	12
Yellowstone	98,987	23	80,728	23
Cascade	35,358	8	38,497	- 8
Silver Bow	38,246	9	48,686	-21
Missoula	16,354	4	5,773	183
Hill	17,308	4	13,226	31
Flathead	8,041	2	2,112	279
Roosevelt <sup>1</sup>	15,482	4	—	—
Custer <sup>1</sup>	13,856	3	—	—
Gallatin	10,182	2	4,887	108
Chouteau <sup>1</sup>	16,981	4	—	—
Dawson	11,463	3	10,288	11
Richland <sup>1</sup>	12,140	3	—	—
Fergus	11,819	3	11,553	2
Lewis and Clark	4,653	1	2,303	102

<sup>1</sup>Revised figures for 1948, comparable to 1954 data, not yet available.

Source: U. S. Department of Commerce, Preliminary Report, 1954 Census of Business, Wholesale Trade.

TABLE 3

**WHOLESALE TRADE IN LEADING MONTANA  
CITIES, 1954**

	Total Number of Establishments	Sales (thousands of dollars)		
		Total	Merchant Wholesalers	Other Wholesalers
Billings	162	135,547	67,778	67,769
Butte	102	71,159	34,410	36,749
Great Falls	111	68,104	47,320	20,784
Kalispell	34	18,138	11,056	7,082
Helena	38	13,350	9,443	3,907
Lewistown	23	7,803	4,697	3,106
Livingston	13	2,326	1,336	990
Anaconda	7	1,424	900	524
Missoula <sup>1</sup>	57	—	—	—
Miles City <sup>1</sup>	29	—	—	—
Bozeman <sup>1</sup>	28	—	—	—
Havre <sup>1</sup>	25	—	—	—
Glendive <sup>1</sup>	23	—	—	—

<sup>1</sup>Sales figures withheld to avoid disclosure of operations of an individual establishment.

Source: U. S. Department of Commerce, Preliminary Report, 1954 Census of Business, Wholesale Trade.

concentrated and more widely distributed throughout the state. Yellowstone, Cascade, and Silver Bow counties reported 40 percent of 1954 sales by these establishments, but many small counties were credited with rather sizable wholesale sales by virtue of the presence of grain elevators, livestock auction markets, and petroleum bulk plants.

Despite their importance, Yellowstone, Cascade, and Silver Bow are not among the fastest-growing counties in terms of wholesale sales. The combined proportion of total sales for the three counties was smaller in 1954 than in 1948, with 48 percent compared to 52 percent of all wholesale sales; 58 percent compared to 67 percent of sales by merchant wholesalers; and 40 percent compared to 44 percent of sales by other wholesale establishments. Silver Bow County not only suffered a loss in relative importance but, according to the Census figures, experienced an actual decline of 5 percent in total dollar sales. Some of the smaller counties, on the other hand, substantially increased their share of the total. Flathead County wholesale establishments led the parade, with a gain in total sales of 233 percent over the six-year period. Kalispell is the leading city in Flathead County. Significant increases were also made by wholesalers in Gallatin County (Bozeman), 84 percent; Missoula County (Missoula), 76 percent; Lewis and Clark County (Helena), 62 percent; Hill County (Havre), 55 percent; and Dawson County (Glendive), 44 percent.

Data now available for other cities and counties in Montana are presented in Tables 3 and 4. Later reports of the 1954 Census of Business will contain more detail, by counties, cities and by type of wholesale establishment.



**TABLE 4**  
**WHOLESALE TRADE BY COUNTIES, 1954**

	Total	Sales Merchant (thousands of dollars)	Other
State, Total	697,308	265,407	431,901
Beaverhead	1,830	760	1,070
Big Horn	4,044	2,260	1,784
Blaine	5,823	169	5,654
Broadwater	1,075	—	1,075
Carbon	2,940	319	2,621
Cascade	83,223	47,865	35,358
Chouteau	16,981	—	16,981
Custer	18,067	4,211	13,856
Dawson	16,937	5,474	11,463
Deer Lodge	1,424	900	524
Fallon	3,735	—	3,735
Fergus	16,516	4,697	11,819
Flathead	22,451	14,410	8,041
Gallatin	17,751	7,569	10,182
Glacier	8,577	1,570	7,007
Granite	742	209	533
Hill	28,877	11,569	17,308
Jefferson	313	—	313
Judith Basin	3,211	—	3,211
Lewis & Clark	15,689	11,036	4,653
Lincoln	1,823	625	1,198
Madison	709	—	709
Mineral	629	—	629
Missoula	41,973	25,619	16,354
Musselshell	1,892	723	1,169
Park	3,620	1,336	2,284
Petroleum	271	—	271
Pondera	13,573	—	13,573
Prairie	2,544	—	2,544
Ravalli	3,537	1,004	2,533
Richland	16,689	4,549	12,140
Roosevelt	19,345	3,863	15,482
Rosebud	1,331	—	1,331
Sanders	1,058	—	1,058
Silver Bow	73,720	35,474	38,246
Toole	13,122	2,368	10,754
Treasure	461	—	461
Valley	13,797	2,871	10,926
Wibaux	924	—	924
Yellowstone	171,257	72,270	98,987

Note: Sales of other counties (Carter, Daniels, Garfield, Golden Valley, Lake, Liberty, McCone, Meagher, Phillips, Powder River, Powell, Sheridan, Stillwater, Sweet Grass, Teton and Wheatland) withheld to avoid disclosure of operations of individual establishments. Combined sales of these 16 counties amounted to \$44,827,000 in 1954.

Source: U. S. Department of Commerce, Preliminary Report, 1954 Census of Business, Wholesale Trade.

In its effort to be of service to businessmen and other individuals and organizations, the Bureau of Business and Economic Research attempts to maintain complete files on business and economic data pertaining to the state of Montana.

The Bureau is happy to make available any information which it has in response to specific requests from interested individuals. Its office is located in Room 108, Business-Education Building, or address:

Bureau of Business and Economic Research  
School of Business Administration  
Montana State University  
Missoula, Montana

**DAILY AVERAGE PRODUCTION OF SELECTED MINERALS IN MONTANA, 1935-39 AND 1954 AND 1955**

	1935-39	1954	1955
Copper (short tons) <sup>1</sup>	329.8	193.3	265.0
Zinc (short tons) <sup>1</sup>	121.9	198.5	222.1
Lead (short tons) <sup>1</sup>	51.1	48.3	53.9
Silver (fine ounces) <sup>1</sup>	31,398.0	16,866.3	19,008.8
Gold (fine ounces) <sup>1</sup>	651.7	77.1	82.4
Crude oil (thousands of barrels) <sup>2</sup>	14.9	38.3	42.3

<sup>1</sup>Daily average production computed from reports of U. S. Bureau of Mines. 1955 figures, preliminary.

<sup>2</sup>Daily average production computed from reports of the Oil and Gas Conservation Commission of Montana. First eleven months, 1954 and 1955.

**ESTIMATED CASH RECEIPTS FROM FARM MARKETINGS IN MONTANA, FIRST TEN MONTHS, 1954 AND 1955**

	(thousands of dollars)		
	— First Ten Months — 1954	1955	Percent Change
Livestock and products	117,181	112,321	-4.1
Crops	181,978	166,619	-8.4
Total	299,159	278,940	-6.8

Source: U. S. Department of Agriculture, Agricultural Marketing Service.



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Missoula, Montana

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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## THE OLD YEAR AND THE NEW

"The best year yet" is the only way to describe 1955. Never has American business been so prosperous or so confident as in 1955, yet seldom has a new year begun with more prediction and pulse taking than has 1956. Of particular interest to Montanans are the questions of how our state has fared within the framework of the national prosperity and of what the new year promises for the Montana economy, so different from, and so closely tied to that of the nation.

### The Record for 1955

The American consumer had a wonderful time in 1955. He bought new automobiles, new homes, and new home appliances at an unprecedented rate. If he didn't have the cash, "easy credit terms" were available. His was the leading role in the dramatic performance of the 1955 economy. By virtue of his spending spree, American industry produced record amounts of goods and services and expanded its facilities to meet the increased demand. The consumer also bought more food, and ate better, than ever before, although he couldn't eat enough to pull the surplus-ridden farmer out of the agricultural recession.

In Montana, the high rate of national consumption and production was reflected in a healthy demand for its major "export" products, particularly minerals and lumber, and in the large number of out-of-state tourists who visited the state. In addition, Montanans proved as anxious as the next American to share in the increase in living standards. New automobiles, homes, and home furnishings and appliances were much in evidence. Retail business activity in the state was at a high level during the year, although businesses in the smaller, rural communities felt the impact of declining agricultural income. Prosperity again bypassed agriculture, and after four years of falling prices and high rigid costs, many Montana farmers and ranchers, particularly livestock producers, faced difficult financial situations.

Although 1955 was an excellent business year in Montana, the boom seems not to have reached the proportions which it did in other, more industrialized

areas. Neither was the recession of late 1953 and 1954 as severe in Montana as elsewhere in the United States. Analysis of business fluctuations in the state during the past two years is complicated by the labor dispute in 1954 which idled approximately 10,000 mine and smelter workers (6.5 percent of the state's nonagricultural employees) for seven weeks. The record of decline and subsequent increase in business activity is attributable as much to the strike as to cyclical decline and improvement.

### *Nonagricultural employment, earnings hit new high in 1955.*

Nonagricultural employment set new records in 1955. With higher wage rates and longer work weeks, many workers enjoyed substantially increased earnings. This was true especially in the mining and manufacturing industries.

After starting the year at levels somewhat below those of 1953 and 1954, the number of persons employed during the months June through October was the highest in history, with a new all-time high of 164,000 established in August.

Average employment for the year was 154,600, compared to 154,200 in 1953 and 152,800 in 1954. Much of the decline in 1954, and the subsequent increase in 1955 was due to the labor dispute in the mining and smelting industry in 1954. The extent of unemployment due to the recession of 1954 was smaller in Montana than in the United States as a whole.

A comparison of employment by major industry groups shows significant increases in the trade and finance groups in 1955, largely offset by declines in transportation and utilities, government, and construction. The completion of the Anaconda aluminum plant at Columbia Falls and Tiber Dam on the Marias River released many construction workers, for which other employment was not immediately available. The construction of Noxon Rapids Dam near Thompson Falls will provide welcome employment this year.

The large increases recorded for employment in manufacturing in 1955 reflect the strike in the smelters in 1954 and the new manufacturing em-



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MAXINE JOHNSON, Research Associate

ployment created by the Anaconda aluminum plant, now using 600 workers. The gain in mining employment also reflects the recovery from the strike-depressed level of 1954. Due to a shortage of qualified miners, employment in the industry last year was lower than in 1953, when 11,600 were employed.

### AVERAGE MONTHLY NONAGRICULTURAL EMPLOYMENT<sup>1</sup>

	1954	1955	Change
Total nonagricultural employment	152,800	154,600	1,800
Manufacturing	18,100	19,200	1,100
Mining	10,600	11,200	600
Construction	9,900	9,500	-400
Transportation and utilities	21,900	21,700	-200
Trade	38,900	39,400	500
Finance	5,000	5,500	500
Services	19,700	19,700	—
Government	28,600	28,400	-200

### Mineral industry set new record,

Led by copper and petroleum, Montana's mineral industries set a new value of production record of \$162.5 million in 1955, compared to \$125.6 million in 1954. Approximately 58 percent of the 1955 value was attributable to copper and oil.

**Metals.** "King Copper" retained its position as Montana's number one metal in 1955, as strong demand and an erratic world supply situation resulted in the highest copper prices since the Civil War. Unhampered by strikes which affected other western areas, Montana mines responded with a new postwar production record. Compared to 1954, when a prolonged strike did shut down Montana mines, the increase was 37 percent; compared to the previous postwar high in 1953, it amounted to 5 percent. Higher prices are reflected in the total value of copper production in the state last year, estimated by the Bureau of Mines at slightly over \$60 million or 72 percent higher than the 1954 value of \$35 million.

Lead, zinc, and silver production registered gains when compared with the strike-depressed 1954 output, but all were well below the production levels of 1952 and 1953.

<sup>1</sup>Unemployment Compensation Commission of Montana.

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1939	100.0	102.5	106.3	106.0	106.2
1940	105.6	109.8	133.8	111.7	115.4
1941	110.2	122.2	151.2	119.8	134.5
1942	113.8	135.0	165.8	126.5	141.8
1943	112.7	143.8	185.2	126.6	164.9
1944	111.3	150.5	175.4	147.1	178.6
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December	152.0	169.9	403.7	514.5	514.7

<sup>1</sup>See January issue for explanatory footnotes.

**Petroleum.** Eastern Montana's growing oil industry recorded another active year. Since 1951, when the presence of oil in the Williston Basin was confirmed, the production of crude petroleum in Montana has increased about 73 percent. Output in 1955 is estimated at 15.5 million barrels, with a total value of \$34 million.

The recent completion of the Butte Pipe Line from eastern Montana to Guernsey and Fort Laramie, Wyoming, connecting with lines to midwestern refineries, is expected to encourage expansion of production. In addition, refinery capacity at Billings was expanded last year and a new refinery is under construction at Kevin.

### PRODUCTION AND VALUE OF MINERALS<sup>1</sup>

	Production		Value	
	1954	1955	1954	1955
Five major minerals:				
Copper (short tons)	59,349	81,342	\$35,015,910	\$60,193,080
Crude oil (barrels)	14,195,447	15,470,000	31,279,890	34,100,000
Zinc (short tons)	60,952	68,183	13,165,632	16,773,018
Silver (fine ounces)	5,177,942	5,835,700	4,686,299	5,281,603
Lead (short tons)	14,820	16,539	4,060,680	4,928,622
All mineral commodities			\$125,630,000	\$162,511,000

<sup>1</sup>U. S. Bureau of Mines, 1955 figures, preliminary.



### *... lumber production was up,*

The national construction boom insured an excellent year for Montana's lumber industry, heavily dependent upon out-of-state markets. With prices strong during the spring and summer months, production in the industry is reported to have increased markedly. This was an important factor in western Montana, for with the exception of mining in the Butte-Anaconda area, lumbering represents the largest single source of income in the mountainous western part of the state.

Considerable expansion and some badly-needed diversification have been announced by the industry. Plans for the construction of a new plywood plant in Missoula are underway. A plywood plant at Polson—Montana's first—went into operation in 1954. A new sawmill at Drummond will utilize logs formerly considered too small for sawlogs. Other established mills have expanded their facilities.

### *... and construction activity continued high.*

Construction activity in Montana was maintained at high levels in 1955, although fewer large-scale heavy construction projects were in progress. A fast pace of commercial building helped to fill the void, with a rash of new or remodeled bank buildings, schools, churches, office buildings, retail stores and other business establishments under construction.

The value of building permits issued within the limits of 10 Montana cities (Anaconda, Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, Malta, Miles City, and Missoula) totalled \$27.6 million in 1955, 8.5 per cent higher than the permits issued in the same cities in 1954.

### *Although the agricultural situation worsened,*

For Montana farmers and ranchers, 1955 brought a repetition of the preceding three years—a period of falling agricultural prices and high operating costs. Preliminary estimates place total cash receipts from farm marketings for the year at \$369.9 million, 7 per cent below 1954. A saving factor was the favorable growing conditions which resulted in the second largest wheat crop ever harvested—28 percent above 1954, bolstering total agricultural income. Much of it was high quality, high protein wheat selling near enough to the support level to move for cash rather than into storage. Marketings of beef cattle, Montana's other major agricultural product, were heavy, but sharply lower prices placed many cattlemen in a precarious financial position.

#### **INDEX OF PRICES RECEIVED AND PRICES PAID BY MONTANA FARMERS AND RANCHERS (1947-1949=100)**

	1951 (Average)	1954 (Dec. 15)	1955 (Dec. 15)
Prices received <sup>1</sup>	118	87	77
Prices paid <sup>2</sup>	117	115	118
Ratio of prices received to prices paid	101	76	65

<sup>1</sup>For all agricultural commodities.

<sup>2</sup>For family living items, farm production items, interest, taxes, and wages.

### *... the over-all record for 1955 was impressive.*

Despite declining agricultural income, the over-all record of the Montana economy in 1955 was impressive. The ability of the nonagricultural sector to offset declining agricultural income has been a gratifying feature of the state's economy.

Bank debits<sup>1</sup>, considered a good measure of general business activity, in 20 Montana cities were the highest in history, and 9 percent above 1954. Bank deposits on December 31, 1955, totalled \$601.8 million, also a new record.

In keeping with the national pattern, Montanans for the most part purchased more goods and services than ever before in 1955. Businesses in the smaller, rural communities felt the impact of declining agricultural income. On a statewide level, however, the fact that more people were at work in nonagricultural occupations, earning more money than ever before, resulted in record retail sales.

The appeal of the new automobile models was evident; 25 percent more new cars were sold in the state than in 1954. Total sales of Montana department stores last year are estimated at \$18.7 million, 6 percent above 1954. Indications are that credit was a major factor in the expansion of consumption expenditures in Montana, as in the United States as a whole.

Adding to the receipts of retail trade and service establishments were a record number of tourists, estimated by the Advertising Office of the Montana Highway Commission to have spent \$89.5 million in Montana last year.

#### **BUSINESS INDICATORS**

	1954 (thousands)	1955	Percent Increase
Bank debits, 20 cities <sup>2</sup>	\$3,788,987	\$4,134,691	+9
Department store sales <sup>2</sup>	17,558	18,668	+6
Tourist expenditures <sup>3</sup>	86,980	89,520	+3

### **The Outlook for 1956**

And what of 1956? Preliminary reports indicate that January was another good month, although predictions vary as to the course of the national economy during the remainder of this year. As in every boom period, there are prophets of perpetual prosperity. Since over-optimism has been our historical path to disaster, however, it is well to note the warnings of some of our more sober economists and businessmen. The 1955 rate of expansion in consumer credit, the subject of much concern, cannot possibly continue forever. When it declines, there will be repercussions in the durable goods industries and in the economy in general. The automobile and housing industries have already cut back. Neither can the inventory buildup continue at the present pace.

<sup>1</sup>Checks written against depositors' accounts.

<sup>2</sup>Federal Reserve Bank of Minneapolis.

<sup>3</sup>Advertising Office, Montana Highway Commission. Part of the increase is attributed to more complete data in 1955.



on the national level, nor in Montana where inventories of department stores last December 31 were 30 percent above December 31, 1954.

On the other hand, government expenditures and business outlays for capital goods are expected to rise. After having been cut back to twenty-five years in July, the maximum repayment period on government guaranteed mortgages has been re-extended to thirty years in an effort to bolster the home-building rate.

Many forecasters predict continued high level activity through the spring with some noticeable decline in late summer or fall. This prediction is based on the expected accumulation of declines in the durable goods industries and agriculture. The net result may be that business will show little change—up or down—for the year, as compared to 1955. If some decline does occur, however, it could easily be, as one economist puts it, "the pause that refreshes". With production pushing at capacity in many lines, the danger of inflation is still present. The strong upward trend in a number of commodity prices during the past year has been somewhat obscured in the general price level by falling agricultural prices.

### *For Montana in 1956, prospects are good . . .*

As in the nation as a whole, preliminary indications are that business in Montana in January was better than usual for this time of year. Nonagricultural employment in the state last month is estimated at 150,700, or 7,100 higher than January 1955; bank debits in 20 cities were up 5 percent.

Prospects for the rest of the year are heavily dependent upon the course of the national economy. The employment outlook is perhaps better for Montana than for the United States, because of its relative lack of manufacturing, particularly durable goods industries, where some decline is expected.

Despite the cutback in automobile production, demand for copper still exceeds the supply, with little prospect of early relief. The industry recently announced an increase in price, from 43 to 46 cents per pound. The new Berkeley open-pit mine at Butte should add to Montana copper production this year. Some easing in the demand for zinc has been noted, but the over-all outlook for Montana's metal mining industry is good.

The outlook for the lumber industry depends largely upon developments in housing. With mortgage credit becoming less tight, most observers are reasonably optimistic.

The State Employment Service reports that construction in Montana in 1956 gives promise of exceeding the volume of recent years. The construction of the \$85 million Noxon Rapids Dam will be an important factor in northwestern Montana. Other large projects scheduled are a \$4 million food distribution center in Butte and new buildings on the Carroll College campus plus an estimated \$24 million worth of new highway construction, an all-time high.

### *. . . but not exuberant, as agriculture faces a further decline.*

Thus, a high level of business activity seems in prospect for Montana this year. Not having experienced the 1955 boom in the same degree as the national economy, any decline on a national scale may have less effect here.

Agriculture presents the most serious problem for Montana. Despite declining income, farmers and ranchers have been maintaining purchases at a high level, in part through borrowing. Their current rate of expenditure cannot be maintained indefinitely, however, unless their income either stabilizes or improves. Unfortunately, agricultural income will probably decline further this year. There is little chance of the fortunate growing conditions which produced the huge 1955 wheat crop occurring two years in a row, and cattle prices are well below a year ago (about 12 percent on January 15), with little prospect for immediate improvement. This will be the fifth successive year of falling agricultural income and it is almost certain to be reflected in reduced purchases of machinery and other production items, as well as household goods.

The degree to which the nonagricultural sector can offset a further decline in agriculture will be a major factor in determining just how good business is in Montana this year.

—BY MAXINE JOHNSON

#### 1956 TRADE ASSOCIATION DIRECTORY

The 1956 edition of the Montana Trade Association Directory, listing the officers of 45 trade associations in the state, has just been published by the Bureau. Copies may be obtained without charge by writing to the Bureau of Business and Economic Research, Montana State University, Missoula, Montana.



#### MONTANA BUSINESS

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# MONTANA BUSINESS

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SCHOOL OF BUSINESS ADMINISTRATION      MONTANA STATE UNIVERSITY

## A CLOSER LOOK AT

## THE AGRICULTURAL SITUATION IN MONTANA

Rarely has a segment of the American economy attracted so much attention as is being devoted to agriculture in this otherwise prosperous election year. While perhaps wearying of the whole question, for which no satisfactory answers have thus far been provided, Montanans must necessarily be concerned with the agricultural problem. Some 20 percent of the state's population is very directly and vitally concerned, for agriculture is its source of income. In the long run, however, the economic well-being of so sizable a segment of the state's population concerns the entire economy. A continued decline in agricultural income can become an increasingly depressing factor in Montana. Despite the general prosperity, the effect of reduced agricultural income since 1952 has already been felt, not only by individual farmers and ranchers but by businesses serving the agricultural population.

A closer examination of the current agricultural situation in Montana is, therefore, both timely and appropriate. How serious is the agricultural decline in the state, particularly in terms of the individual farmer or rancher? Widely differing opinions have been offered, frequently with little factual background. The recent release of a new series of net income estimates and of preliminary reports on the 1954 Census of Agriculture makes possible a more authentic examination of the position of agriculture in Montana today.

### *Total net income has fallen off sharply . . .*

The income picture for farm and ranch operators in Montana from 1950 to 1954 is illustrated by new U. S. Department of Agriculture estimates of total net income of farm operators in the state:<sup>1</sup>

#### TOTAL NET INCOME OF MONTANA FARM OPERATORS

1950	\$234.7 million
1951	248.1 million
1952	182.7 million
1953	194.6 million
1954	160.2 million

Decline, 1950-1954 — 32 percent  
Decline, 1951-1954 — 35 percent

The total net income of farm and ranch operators in Montana declined approximately one-third between 1950-1951 and 1954. These decreases are much more severe than those which occurred in the United States as a whole (10 percent between 1950 and 1954 and 24 percent between 1951 and 1954), primarily because of the greater importance of livestock in Montana. The drop in livestock prices over the period has been particularly severe. Preliminary national estimates show a further decline of 11 percent in total net income between 1954 and 1955. State data for 1955 are not yet available, but the decline from 1954 to 1955 was probably less severe in Montana where an excellent wheat crop bolstered income last year.

### *. . . as has income per farm or ranch*

The point has often been made that while agricultural income is declining, the number of farms and ranches is also decreasing. Thus income per farm operator has presumably declined considerably less than has total income. This comforting theory has little validity in Montana. Figures from the 1954 Census of Agriculture reveal that the number of farms and ranches in the state has continued to

<sup>1</sup>The Farm Income Situation, December 16, 1955. These figures differ from estimates given in the U. S. Department of Commerce's state income payment series, which includes, in addition to operator's income, wages and salaries of farm workers and rent received by absentee landlords.

The net income data given above represent income of farm operators after deduction of production expenses and allowances for changes in the value of inventories. The 1954 estimate for Montana was derived as follows:

	(millions)
Cash receipts from marketings	\$390.7
Government payments	5.5
Value of home consumption	12.2
Gross rental value of farm dwellings	10.4
Realized gross farm income	418.7
Farm production expense	250.7
Realized net farm income	168.0
Net change in farm inventories	—7.8
Total net farm income	160.2



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THEODORE H. SMITH, Dean

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MAXINE JOHNSON, Research Associate

decline—from 35,085 in 1950 to 33,059 in 1954 (6 percent). The decrease in total income was so great, however, that average income per farm or ranch also declined substantially:

### AVERAGE NET INCOME PER FARM OR RANCH, MONTANA

1950	\$6,310
1951	6,724
1952	5,034
1953	5,405
1954	4,500
Decline, 1950-1954 — 29 percent	
Decline, 1951-1954 — 33 percent	

A 33 percent decline in income, even when based on a year so unusually prosperous as 1951, presents a serious situation for the individual operator. It should be noted that the \$4,500 net income per farm in 1954 represents the total return to the farm operator both for his labor and management and as a return on his investment. The average wage of non-agricultural employees in Montana in fiscal 1955 (July 1, 1954 to July 1, 1955) was \$3,850.<sup>1</sup> Applying this wage figure to the farm operator, only \$650 remains as a return on investment—or 1.5 percent of the average value of \$43,258 of Montana farms and ranches in 1954, not including equipment or livestock and other inventory for which no data are available.

### Montana continues to rank as one of the most prosperous agricultural states . . .

Although their income has declined substantially in recent years, Montana farmers and ranchers as a whole continue to be among the most prosperous in the United States. The typical Montana ranch is, of course, much larger and represents a greater investment than the average American farm or ranch. In 1954, the state ranked fourth in net income per farm or ranch, behind Arizona, California, and Iowa:

<sup>1</sup>Unemployment Compensation Commission of Montana.

## MONTANA BUSINESS INDEXES

(1935-39 = 100)

Year and Month	Nonagr. Employment <sup>1</sup>	Car-loadings <sup>2</sup>	Electric Power Consumption <sup>3</sup>	General Store Sales <sup>4</sup>	Bank Debits <sup>5</sup>
1935		110.0	93.7	92.0	92.4
1936		96.6	105.2	100.0	99.4
1937		105.0	109.3	102.6	106.5
1938		85.9	85.5	99.7	95.5
1939	100.0	102.5	106.3	106.0	106.2
1940	105.6	109.8	133.8	111.7	115.4
1941	110.2	122.2	151.2	119.8	134.5
1942	113.8	135.0	165.8	126.5	141.8
1943	112.7	143.8	185.2	126.6	164.9
1944	111.3	150.5	175.4	147.1	178.6
1945	111.3	141.8	157.7	159.5	198.1
1946	123.7	119.9	155.3	215.3	252.2
1947	134.0	131.2	169.7	248.1	300.4
1948	140.9	125.0	178.4	270.9	337.5
1949	142.4	122.3	190.2	266.3	344.6
1950	144.4	130.9	201.9	272.5	381.4
1951	146.4	139.0	206.1	282.5	415.8
1952	150.5	142.6	229.4	298.5	423.7
1953	151.5	150.5	252.7	290.5	420.1
1954	150.1	146.0	220.1	293.4	441.0
1955	151.9	158.5	304.3	314.2	482.8
1955—					
January	141.1	151.0	253.6	200.9	483.1
February	140.7	140.9	269.0	194.3	424.3
March	141.7	133.3	246.6	226.5	432.2
April	145.7	136.1	256.1	303.8	425.2
May	151.4	152.2	257.5	306.9	466.0
June	157.8	142.7	267.8	292.0	474.0
July	159.5	152.1	258.1	305.5	452.0
August	161.1	164.7	300.0	328.2	491.9
September	159.8	179.7	350.2	353.4	536.6
October	157.6	195.1	380.0	360.4	554.1
November	153.8	184.5	407.1	377.5	535.1
December	152.0	169.9	403.7	514.5	514.7
1956—					
January	152.0	152.6	401.4	198.8	507.2

<sup>1</sup>Index numbers computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month. 1939 = 100.

<sup>2</sup>Index numbers computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Index numbers computed from kilowatt hour sales of Montana Power Co., Montana-Dakota Utilities Co., Pacific Power and Light Co., Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Index numbers computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>5</sup>Index numbers computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

### NET INCOME PER FARM OR RANCH, 1954

Arizona	\$16,104
California	6,190
Iowa	5,235
Montana	4,500
Illinois	4,308
Nevada	4,298
Average, United States	2,413



Very low incomes in most of the southern and some of the New England states lower the national average.

*... although income per ranch varies widely*

An average income figure for Montana farms and ranches, although useful for comparative purposes, is in many ways misleading. It includes large-scale operations and small subsistence farms, full-time and part-time operations, and, of course, well-managed and poorly-managed units. The variation in income is extreme—from a relatively few ranches with very large incomes to many with modest or very small incomes. Some idea of the wide variation may be gained from Census data on value of products sold:

#### MONTANA FARMS AND RANCHES BY VALUE OF PRODUCTS SOLD<sup>1</sup>

	1950		1954	
	Number	Percent of Total	Number	Percent of Total
Commercial farms <sup>2</sup>	30,039	100	28,679	100
Value of products sold				
\$25,000 or more	1,846	6	2,583	9
10,000-24,999	6,129	20	6,896	24
5,000-9,999	8,291	28	7,752	27
2,500-4,999	6,938	23	6,001	21
Under \$2,500	6,835	23	5,447	19

The proportion of farms and ranches in the upper brackets, although increasing, is still small. The table suggests, however, that these ranches tend to raise the average income figure. According to the breakdown given, the **median** value of products sold lies between \$5,000 and \$9,999.<sup>3</sup> Most ranches in this bracket would have **net** incomes (after deduction of operating expenses) below the \$4,500 arithmetic average cited by the U. S. Department of Agriculture. And 40 percent of the state's farms and ranches are further down the economic ladder.

*The trend toward larger units has continued . .*

One of the ways by which many Montana farmers and ranchers have attempted to improve their income position has been by enlarging their land holdings, seeing additional land and increased use of machinery as a means of increasing their efficiency in the face of the price-cost squeeze. This is not a new trend, nor is it peculiar to Montana agriculture, but it has been accelerated somewhat in Montana and throughout the United States in recent years.

The average size of ranch in the state increased 10 percent between 1950 and 1954, from 1,689 acres to 1,856 acres. Again, the existence of some very

large ranches makes the average misleading. The median size ranch, according to the table below, lies somewhere between 500 and 999 acres. The trend toward larger units has definitely continued since 1950, however, with all size groups below 1,000 acres showing a decline and the number of farms and ranches over 1,000 acres increasing. The imposition of wheat acreage controls is believed to have further spurred the tendency toward consolidation since 1954.

#### MONTANA FARMS AND RANCHES BY SIZE

	1950		1954	
	Number	Percent of Total	Number	Percent of Total
Total	35,085	100	33,059	100
Over 1,000 acres	13,054	37	13,405	40
500 to 999 acres	6,200	18	5,554	17
260 to 499 acres	4,785	14	4,231	13
100 to 259 acres	5,580	16	4,829	15
Under 100 acres	5,466	15	5,040	15
Average size	1,689		1,856	
Average value <sup>1</sup>	\$27,660		\$43,258	

The size of ranch varies widely depending upon the area and the type of agriculture. In western Montana's Ravalli County, with its irrigated ranches, the average size of ranch is 268 acres. In dryland Rosebud County in southeastern Montana, the average size is 6,103 acres, according to the 1954 Census. Land values also vary greatly. While land was valued at \$10 per acre on the average in Rosebud County, the average value in Ravalli County was \$100 per acre.

*... and the value of ranches has increased*

Contrary to the usual pattern, the value of farm real estate, which generally moves in the same direction as agricultural income, has continued to increase. The \$43,258 average value of farms and ranches in the state in 1954 represents an increase of 56 percent over the \$27,660 average value in 1950. Part of the rise is due to the increase in average size of ranch, but the value per acre has also gone up. Reasons advanced for the increase in value per acre include the attempts of many established farmers and ranchers to enlarge their spreads and the relative ease with which credit can be obtained to finance land purchases.

*Over-all indebtedness has increased, but not excessively*

It is estimated that approximately two-thirds of current farm and ranch sales in Montana are credit-financed. The volume of farm real estate mortgage indebtedness has risen substantially in recent years. On January 1, 1955 it amounted to \$108.1 million, 54 percent above the level of January 1, 1951. Non-real estate loans increased 38 percent over the same period, totalling \$38.6 million at the beginning of 1955. Despite these substantial increases the over-all debt level of Montana farmers and ranchers is not considered excessively high in relation to the present value of assets.

<sup>1</sup>Land and buildings.

<sup>1</sup>These figures represent gross income from products sold, before deduction of production expenses, and are not comparable to the net income figures per farm operator given above.

<sup>2</sup>Excludes residential and institutional farms, and farms where the operator receives the bulk of his income from off-farm work.

<sup>3</sup>"Average" refers to the arithmetic mean; that is, total net income divided by the total number of ranches. "Median" refers to the middle point, at which half the incomes are larger and half are smaller.



# RETAIL FOOD PRICE INDEX, MONTANA

(May 1950 = 100)

	All food	Meats, poultry & fish	Dairy products
1955—			
January	109.7	100.6	108.6
February	108.6	101.7	106.5
March	107.4	98.9	108.2
April	108.7	100.4	106.9
May	108.0	99.6	105.4
June	107.2	102.2	105.8
July	108.4	102.1	104.8
August	106.7	98.9	105.2
September	108.6	102.2	104.3
October	107.9	98.1	105.0
November	105.1	93.7	105.4
December	106.1	91.4	108.6
1956—			
January	103.2	88.9	105.8
February	104.8	91.4	108.2

Source: Computed from reports of the Montana Department of Labor and Industry.

## Small operators in particular face a difficult situation . . .

A sharp decline in income such as that experienced by Montana farmers and ranchers in recent years has more serious implications than would have been the case in previous generations. More of the modern rancher's income must go for purchases off the ranch. He no longer produces his own horsepower; farm equipment and fuel must be purchased. Other cash-outlay items have assumed greater importance in recent years—purchased feeds, seeds and fertilizers among them. Nor is the farm any longer self-sufficient so far as family living is concerned. Rural families have rightly come to expect the same comforts and conveniences that urban families enjoy.

Among the hardest-hit in the recent decline have been the small operators, with less leeway for belt tightening. This is particularly true of the small livestock producers, who have been most severely affected by the price decline. Operators of the larger and more productive units have been better able to withstand the adverse conditions. Wheat farmers, favored with good growing conditions and price supports, are in generally stronger positions than livestock producers. How much longer this good fortune will continue depends in large part upon the vagaries of Montana weather. Past experience particularly in the twenties and thirties, is not reassuring. A few years of poor or even mediocre crops with present over-all price levels, or even with higher support prices for wheat, would result in a further deterioration of the agricultural situation in the state.

There is little doubt that the trend toward larger ranch units will continue, and that Montana's agricultural population will decline further. Proponents of the family-operated farm (for which much can be said) regret its decline; others argue that financially at least, many marginal farmers and ranchers

# DAILY AVERAGE PRODUCTION OF SELECTED MINERALS IN MONTANA, 1935-39 AND JANUARY 1955 AND 1956

	1935-39	1955	January 1956
Copper (short tons) <sup>1</sup>	329.8	253.5	292.0
Zinc (short tons) <sup>1</sup>	121.9	234.3	179.6
Lead (short tons) <sup>1</sup>	51.1	54.5	43.6
Silver (fine ounces) <sup>1</sup>	31,398.0	18,900.0	16,714.8
Gold (fine ounces) <sup>1</sup>	651.7	72.0	81.6
Crude oil (thousands of barrels) <sup>2</sup>	14.9	44.5	55.0

<sup>1</sup>Daily average production computed from reports of U. S. Bureau of Mines.

<sup>2</sup>Daily average production computed from reports of the Oil and Gas Conservation Commission of Montana.

would be better off in nonagricultural pursuits. Even in years of agricultural prosperity there were many rural families in Montana who attained only a subsistence level of living from their small or relatively unproductive acreages. There is a question, however, as to whether Montana's nonagricultural industries can provide employment for those agricultural workers who desire it. The State Employment Service has warned that nonagricultural job opportunities in the state are lagging behind the growth in the non-agricultural labor force. The possibility exists that Montana may lose increasingly large numbers of its population — particularly rural youth — to other states.

## . . . with no solution in sight

The majority of Montana farmers and ranchers, of course, will continue their operations. Many of them have weathered economic storms before, some more serious than this one has yet become. The outlook, unfortunately, holds little hope of immediate improvement. Regardless of what actions the ranchers, the agricultural experts, or the Congress take, the solution to the agricultural problem is going to take time. In the meantime, the premium on management skills and efficient production methods will continue.

—BY MAXINE JOHNSON



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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## MONTANA RETAIL TRADE, 1954

- Census report places total retail sales in Montana at \$779,044,000 in 1954, 30 percent over 1948
- Automotive stores, service stations show greatest increases in sales
- Per capita retail sales: \$1,259

The large number of retail stores scattered about Montana compose an important segment of the state's economy. Their significance is greater than in many other areas because of the lack of a sizable industrial segment in the state. Retail trade establishments in Montana currently employ a yearly average of about 31,000 persons, or approximately one-fifth of all nonagricultural wage and salary workers. In addition, there are some 8,600 proprietors of small, unincorporated businesses who earn their livelihood in the industry.

The only source of complete information on this heterogeneous group of businesses designated as the retail trade industry is the Census of Business. Taken about one year ago, the latest report covers the year 1954. Considering the mass of data to be processed, the recent appearance of preliminary state reports for 1954 represents a notable achievement for the Census Bureau. The information released makes possible an analysis of developments in retail trade in the state during one of the most prosperous

periods in history—the six years from 1948 (date of the last Census of Business) to 1954. At the same time, the 1954 data are recent enough that they are still relevant to the present situation.

### Total retail sales up 30 percent over 1948

The number of retail stores in Montana increased slightly between 1948 and 1954, from 8,080 to 8,226 (2 percent). Total sales in 1954 amounted to \$779,044,000, 30 percent greater than in 1948. Nationally, retail sales increased 32 percent during the same period.

Most retail stores in Montana are small. Of the 8,226 retail businesses operating in 1954, 2,358 were small family enterprises or partnerships with no paid employees. Average sales of all retail stores amounted to \$94,705 per year, or less than \$8,000 per month. The \$94,705 average in 1954 represented an increase of 28 percent over 1948.

Retail prices increased considerably between 1948 and 1954, of course. Even when 1954 sales are deflated by the retail price increase,<sup>1</sup> however, the record is impressive, with a 20 percent increase in total sales volume and an 18 percent gain in average sales volume per store.

<sup>1</sup>As measured by the U. S. Department of Commerce retail price index for the United States.

TABLE 1  
RETAIL TRADE IN MONTANA, 1948 AND 1954

	Number of Establishments			— Total Sales —			Average Sales Per Store		
	1948	1954	Percent Change	1948 (thousands)	1954	Percent Change	1948	1954	Percent Change
All retail stores	8,080	8,226	2	\$599,660	\$779,044	30	\$ 74,215	\$ 94,705	28
Food stores	1,621	1,294	-20	123,103	155,300	26	75,943	120,015	58
Eating, drinking places	2,141	2,073	-3	67,646	81,006	20	31,596	39,077	24
Automotive stores	520	490	-6	107,379	152,998	42	206,498	312,241	51
Gasoline service stations	968	934	-4	37,760	55,584	47	39,008	59,512	53
Lumber, building materials, hardware, farm equipment dealers	729	849	16	91,328	105,636	16	125,278	124,424	-1
General merchandise stores	373	367	-2	62,350	67,430	8	167,158	183,733	10
Apparel, accessories stores	413	439	6	30,696	36,091	18	74,324	82,212	11
Furniture, home furnishings, appliance dealers	301	319	6	22,289	30,710	38	74,050	96,270	30
Drug stores	247	240	-3	15,136	20,909	38	61,279	87,121	42
Other retail stores and nonstore retailers <sup>1</sup>	767	1,221	59	41,973	73,380	75	54,724	60,098	10

<sup>1</sup>The large increase in number and sales is probably due to incomplete coverage of nonstore retailers in 1948.

Source: Bureau of the Census, 1954 Census of Business: Retail Trade.



# MONTANA BUSINESS

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THEODORE H. SMITH, Dean

## BUREAU OF BUSINESS AND ECONOMIC RESEARCH

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### TOTAL RETAIL SALES, MONTANA

	1948	1954	Percent Increase
	(thousands)		
Actual	\$599,660	\$779,044	30
Adjusted for prices increases	599,660	720,004	20

### AVERAGE RETAIL SALES PER STORE,

#### MONTANA

	1948	1954	Percent Increase
Actual	\$74,215	\$94,705	28
Adjusted for price increases	74,215	87,528	18

### Sales experience varies by type of store

A breakdown by kind of store reveals the wide variation in the rate of increased sales and confirms changes in the retail trade pattern. (Table 1.) The continued trend toward the supermarket and away from the small grocery is an example. Census data reveal that the number of grocery stores in Montana declined 20 percent between 1948 and 1954. As a result, while total sales increased 26 percent, average sales per store increased 58 percent.

Although the big boom in automobile sales did not come until 1955, automotive stores recorded substantial sales gains between 1948 and 1954 (42 percent). The number of automotive stores declined over the period, adding to the large increase in average sales per business unit. With more automobiles on the highways, gasoline service stations enjoyed substantially increased sales.

Sales of furniture, home furnishings, and appliance stores were also considerably higher in 1954 than in 1948.

Effects of declining agricultural income are reflected in sales figures for the lumber, building material, hardware and farm equipment group. Farm equipment dealers no doubt felt the decline the most, but a large proportion of retail sales of lumber,

## MONTANA BUSINESS INDEXES

(1935-39 = 100)

Year and Month	Nonagr. Employment <sup>1</sup>	Car-loadings <sup>2</sup>	Electric Power Consumption <sup>3</sup>	General Store Sales <sup>4</sup>	Bank Debits <sup>5</sup>
1935		110.0	93.7	92.0	92.4
1936		96.6	105.2	100.0	99.4
1937		105.0	109.3	102.6	106.5
1938		85.9	85.5	99.7	95.5
1939	100.0	102.5	106.3	106.0	106.2
1940	105.6	109.8	133.8	111.7	115.4
1941	110.2	122.2	151.2	119.8	134.5
1942	113.8	135.0	165.8	126.5	141.8
1943	112.7	143.8	185.2	126.6	164.9
1944	111.3	150.5	175.4	147.1	178.6
1945	111.3	141.8	157.7	159.5	198.1
1946	123.7	119.9	155.3	215.3	252.2
1947	134.0	131.2	169.7	248.1	300.4
1948	140.9	125.0	178.4	270.9	337.5
1949	142.4	122.3	190.2	266.3	344.6
1950	144.4	130.9	201.9	272.5	381.4
1951	146.4	139.0	206.1	282.5	415.8
1952	150.5	142.6	229.4	298.5	423.7
1953	151.5	150.5	252.7	290.5	420.1
1954	152.2	146.0	220.1	293.4	441.0
1955	157.3	158.5	304.3	311.0	482.8
1955—					
Feb.	144.2	140.9	269.0	192.2	424.3
Mar.	144.8	133.3	246.6	224.2	432.2
April	150.7	136.1	256.1	300.7	425.2
May	155.6	152.2	257.5	303.6	466.0
June	163.8	142.7	267.8	289.0	474.0
July	166.1	152.1	258.1	302.5	452.0
Aug.	168.4	164.7	300.0	324.6	491.9
Sept.	167.0	179.7	350.2	349.8	536.6
Oct.	164.3	195.1	380.0	356.6	554.1
Nov.	158.8	184.5	407.1	373.5	535.1
Dec.	156.8	169.9	403.7	509.3	514.7
1956—					
Jan.	152.0	152.6	401.4	198.8	507.2
Feb.	149.5	144.8	403.8	201.5	457.6

<sup>1</sup>Index numbers computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month. 1939 = 100. 1955 figures revised.

<sup>2</sup>Index numbers computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Index numbers computed from kilowatt hour sales of Montana Power Co., Montana-Dakota Utilities Co., Pacific Power and Light Co., Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Index numbers computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average. 1955 figures revised.

<sup>5</sup>Index numbers computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

building material, and hardware is also ordinarily made to farmers and ranchers.<sup>1</sup> The 16 percent increase in total sales recorded by the group appears

<sup>1</sup>Lumber yards and building material dealers selling primarily to builders and contractors are classified in Wholesale Trade and are reported in the Wholesale Trade Census.



to have been less than price rises over the period.<sup>1</sup> The addition of some 80 new stores to the group since 1948 resulted in a decline of one percent in average retail sales per dealer.

Two other groups of stores—apparel and general merchandise—experienced below-average sales increases during the six-year period. This was also true on the national level. It may be that the interest in the purchase of automobiles, furniture and appliances on the part of the public has worked to the detriment of apparel and general merchandise dealers.

### Per capita sales increase

Per capita retail sales amounted to \$1,259 in Montana in 1954, compared to \$1,106 in 1948.<sup>2</sup> In actual dollars, this represents a gain of 14 percent; when adjusted for retail price changes, the increase is reduced to 5 percent.

#### PER CAPITA RETAIL SALES, MONTANA

	1948	1954	Percent Increase
Actual	\$1,106	\$1,259	14
Adjusted for price increases	1,106	1,164	5

Per capita retail sales in Montana exceeded national per capita sales by 20 percent in 1954. Per capita sales by type of store in the state and in the nation provide an interesting comparison of the retail sales pattern in the two areas. (Table 2.) Because

<sup>1</sup>According to the Agricultural Marketing Service, prices paid by Montana ranchers for farm equipment increased 18 percent and prices for building and fencing materials went up 20 percent between 1948 and 1954.

<sup>2</sup>Per capita sales figures are based on annual population estimates made by the Bureau of the Census.

TABLE 2  
RETAIL SALES PER CAPITA, MONTANA  
AND THE UNITED STATES

	Montana		U.S.	Montana as % of U.S. (1954)
	1948	1954	1954	
All retail stores	\$1,106	\$1,259	\$1,053	120
Food stores	227	251	246	102
Eating, drinking places	125	131	81	162
Automotive stores	198	247	185	134
Gasoline service stations	70	90	67	134
Lumber, building materials, hardware, farm equipment dealers	168	171	81	211
General merchandise stores	115	109	112	97
Apparel, accessories stores	57	58	69	84
Furniture, home furnishings, appliance dealers	41	50	53	94
Drug stores	28	34	33	103
Other retail stores	77	118	126	94

Source: Bureau of the Census, 1954 Census of Business: Retail Trade.

TABLE 3  
CONCENTRATION OF RETAIL SALES IN BILLINGS,  
BUTTE, GREAT FALLS, AND MISSOULA,  
1954

	Percent of Total State Sales
All retail stores	34
Furniture, home furnishings, appliance dealers	59
Apparel, accessories stores	45
General merchandise stores	43
Automotive group	37
Drug stores	37
Food stores	35
Eating, drinking places	30
Gasoline service stations	29
Lumber, building materials, hardware, farm equipment dealers	20
All other	34

Source: Bureau of the Census, 1954 Census of Business: Retail Trade.

#### RETAIL FOOD PRICE INDEX, MONTANA

(May 1950 = 100)

	All food	Meats, poultry & fish	Dairy products
1955—			
February	108.6	101.7	106.5
March	107.4	98.9	108.2
April	108.7	100.4	106.9
May	108.0	99.6	105.4
June	107.2	102.2	105.8
July	108.4	102.1	104.8
August	106.7	98.9	105.2
September	108.6	102.2	104.3
October	107.9	98.1	105.0
November	105.1	93.7	105.4
December	106.1	91.4	108.6
1956—			
January	103.2	88.9	105.8
February	104.8	91.4	108.2
March	104.0	88.9	107.1

Source: Computed from reports of the Montana Department of Labor and Industry.

Montana is predominantly an agricultural area, sales of lumber, building material, hardware, and farm equipment dealers are of much greater importance than nationally. The great distances in Montana, increasing the need for automotive transportation, result in larger per capita sales by automotive stores and service stations than occur on a national scale. Per capita sales of eating and drinking places are also considerably larger in Montana than for the United States as a whole.

Surveys have indicated that rural people tend to spend less money on clothing than do urban residents. This is reflected in the rather low per capita sales of apparel stores in Montana as compared with the nation.

The per capita retail sales figures quoted here should not be interpreted as representing consumer per capita purchases. In the first place, many businesses purchase goods at the retail level—for example, purchases of commercial automobiles and of accessories and gasoline and purchases of farm equipment by ranchers. Secondly, consumers buy considerable quantities of merchandise from non-retail sources such as manufacturers, wholesalers, and farmers. In Montana, it is likely that sizable purchases are made by consumers from mail order houses located outside the state.

### Concentration of sales in major cities

In general, retail trade establishments and sales are widely scattered throughout the state. Sales of some lines of merchandise are, however, concentrated in the larger cities. Furniture and appliance stores, apparel shops, and general merchandise stores in the four largest cities—Billings, Butte, Great Falls, and Missoula—accounted for 59, 45 and 43 percent respectively of the sales of all such stores in the state in 1954. Other lines show much less concentration. Overall sales of Billings, Butte, Great Falls, and Missoula retail stores amounted to 34 percent of the state total in 1954. In the same year 35 percent of



**TABLE 4**  
**RETAIL TRADE IN MONTANA COUNTIES AND CITIES, 1954**

County and City	Number of Establishments	Total Sales (\$000)	Approximate Per Capita Sales	County and City	Number of Establishments	Total Sales (\$000)	Approximate Per Capita Sales
Montana, total	8,226	\$779,044	\$1,259	McCone County	39	\$ 3,078	\$ 890
Beaverhead County	119	9,896	1,495	Madison County	106	4,533	742
Dillon	77	8,470		Meagher County	39	1,938	918
Big Horn County	120	8,458	990	Mineral County	58	2,154	775
Blaine County	124	9,300	1,167	Missoula County	430	48,752	1,245
Broadwater County	35	2,645	1,021	Missoula	336	43,190	
Carbon County	153	7,000	737	Musselshell County	80	5,367	1,118
Red Lodge	70	4,023		Roundup	61	5,003	
Carter County	36	1,716	662	Park County	230	13,934	1,100
Cascade County	629	87,284	1,466	Livingston	158	11,743	
Great Falls	513	79,884		Petroleum County	11	311	324
Chouteau County	101	10,103	1,349	Phillips County	106	9,070	1,751
Custer County	159	17,668	1,628	Pondera County	101	11,511	1,739
Miles City	140	16,813		Powder River County	21	1,279	512
Daniels County	59	6,046	1,433	Powell County	104	6,758	1,006
Dawson County	122	14,700	1,458	Deer Lodge	69	5,450	
Glendive	88	12,771		Prairie County	34	2,281	992
Deer Lodge County	176	15,929	873	Ravalli County	167	10,102	863
Anaconda	168	15,353		Hamilton	101	7,354	
Fallon County	46	4,125	1,130	Richland County	130	12,909	1,234
Fergus County	216	18,045	1,372	Sidney	86	9,713	
Lewistown	143	14,945		Roosevelt County	192	18,868	1,638
Flathead County	461	40,975	1,270	Wolf Point	75	9,090	
Kalispell	230	28,222		Rosebud County	93	5,134	776
Whitefish	70	5,415		Sanders County	99	5,274	785
Gallatin County	324	28,173	1,188	Sheridan County	110	9,021	1,403
Bozeman	182	20,166		Silver Bow County	661	64,409	1,227
Garfield County	22	1,262	625	Butte	606	61,544	
Glacier County	131	13,888	1,258	Stillwater County	92	4,774	829
Cut Bank	65	9,678		Sweet Grass County	52	3,508	961
Golden Valley County	21	1,183	946	Teton County	100	9,292	1,291
Granite County	58	4,883	1,695	Toole County	122	12,641	1,646
Hill County	191	26,630	1,681	Shelby	78	9,415	
Havre	142	21,629		Treasure County	25	1,090	872
Jefferson County	71	3,261	809	Valley County	162	17,137	1,566
Judith Basin County	46	2,319	732	Glasgow	87	12,722	
Lake County	186	10,719	915	Wheatland County	59	4,351	1,460
Lewis and Clark County	325	32,151	1,236	Wibaux County	20	1,825	1,055
Helena	267	29,333		Yellowstone County	696	97,034	1,515
Liberty County	44	3,735	1,146	Billings	498	83,546	
Lincoln County	112	8,595	822	Laurel	63	5,545	

Source: Bureau of the Census, 1954 Census of Business: Retail Trade.

the state's population was living in the counties in which these cities are located—Yellowstone, Silver Bow, Cascade, and Missoula.

### *Retail sales by counties*

Table 4 presents 1954 retail sales data for all counties and for cities of over 2,500 population. Per capita sales, the most meaningful measure for comparative purposes, vary widely among the counties. Some of the differences are the result of the absence of shopping centers of any size in several Montana counties, necessitating purchases outside the

county. Also reflected, however, is a large variation in income among counties. Some small, but very prosperous counties (i.e., Granite, Phillips and Pondera) had larger per capita sales than did any of the large counties with major shopping centers and extensive trade areas.

—BY MAXINE JOHNSON



### **MONTANA BUSINESS**

Bureau of Business  
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Missoula, Montana

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### **DAILY AVERAGE PRODUCTION OF SELECTED MINERALS IN MONTANA, 1935-39 AND FIRST TWO MONTHS OF 1955 AND 1956**

	1935-39	First Two Months	
		1955	1956
Copper (short tons) <sup>1</sup>	329.8	259.0	298.6
Zinc (short tons) <sup>1</sup>	121.9	234.8	210.8
Lead (short tons) <sup>1</sup>	51.1	57.1	46.8
Silver (fine ounces) <sup>1</sup>	31,398.0	18,500.4	18,045.6
Gold (fine ounces) <sup>1</sup>	651.7	78.6	70.4
Crude oil (thousands of barrels) <sup>2</sup>	14.9	44.2	54.7

<sup>1</sup>Daily average production computed from reports of U. S. Bureau of Mines.

<sup>2</sup>Daily average production computed from reports of the Oil and Gas Conservation Commission of Montana.

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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## THE FIRST QUARTER RECORD

### *On the national scene—*

Business boomed along at a higher-than-expected rate during the first quarter of 1956. In comparison to the record levels of late 1955, some slight decline, hardly more than a leveling-off, occurred nationally during the first quarter of this year. Fortunately for the over-all economy, divergent patterns among industries appeared, with increased production in some fields, notably petroleum, metals, and chemicals, offsetting declines in such industries as automobiles, farm implements, and textiles. As a result, total industrial production in March was estimated at only slightly more than 1 percent below the December 1955 peak.<sup>1</sup> New housing starts were slightly below the first quarter of 1955.

Preliminary reports for April indicate little change in the over-all level of the economy. Output of automobiles, farm equipment, and some textiles is still being curtailed. Home building, while lower than last year, is proceeding at a high rate and commercial and industrial construction are at record levels. Some heavy goods industries are producing at capacity. The results of two recent surveys (a Department of Commerce-Securities and Exchange Commission report on plans for capital expenditures by business and the annual Survey of Consumer Finances conducted by the Survey Research Center of the University of Michigan for the Federal Reserve Board) point to continued expansion. These reports indicate (1) that businessmen plan to spend nearly \$35 billion on new plant and equipment this year, 22 percent over their record 1955 outlay; and (2) that American consumers are optimistic as to future prospects and expect to maintain a high level of spending this year. Much of the optimism is a reflection of rising incomes; disposable personal income, both total and per capita, was at a record high during the first quarter of 1956.<sup>1</sup>

Thus, indications are that 1956 may be a much better year than was previously anticipated. Warn-

ings of inflationary pressures are now being sounded. The price index of industrial goods has been rising steadily since last June and the possibility of further increases is strong. Many industries—such as steel, some nonferrous metals, cement and several heavy machinery and equipment lines—are presently producing at or near capacity with little or no room for increased output to meet the growing demands of an expanding economy. Sizable wage increases will probably be negotiated in many of these key industries this summer, resulting in commensurate price boosts. On the other hand, automobile production is still being cut and further adjustments in farm equipment and some other industries may occur. The tight credit situation, augmented by a rise in Federal Reserve discount rates, may force a reappraisal of capital expenditure plans by business. The strength of opposing inflationary and deflationary forces should be clarified in the next few months.

### *In Montana—*

Montanans can look back upon what have probably been the most prosperous winter months in history. Although activity was at the annual seasonal low point from January through March, new records for that time of year were set and no evidence of a cyclical downturn, or slackening of pace, occurred. Nonagricultural employment was higher than for any other first quarter, as were department store sales and bank debits. The mineral industries, led by petroleum and copper, recorded substantial production gains over January-March 1955. Carloadings were up and electric power consumption, with a very large increase, reflected the influence of the state's new aluminum plant at Columbia Falls. In the one depressed area of the economy—agriculture—prices were lower than last year, but larger sales of grain from last fall's bumper crop resulted in an 8.5 percent increase in total receipts over January-February 1955.

<sup>1</sup>Seasonally adjusted.



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## BUREAU OF BUSINESS AND ECONOMIC RESEARCH

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### Employment at new high levels for winter months

Nonagricultural employment in Montana during the first quarter of 1956 averaged 153,100, a gain of 4 percent over the same months last year. All industries except manufacturing shared in the increase, with the small finance industry showing the largest proportional growth:

	First Quarter <sup>1</sup>		Increase	
	1955	1956	Actual	Pct.
Total nonagr. employment	147,500	153,100	5,600	4
Manufacturing	18,700	18,800	100	-
Mining	11,800	12,100	300	2
Construction	7,500	7,900	400	5
Transportation and utilities	20,400	20,900	500	2
Trade	37,100	38,900	1,800	5
Finance, insurance and real estate	5,000	5,500	500	10
Services	18,800	19,200	400	2
Government	28,300	29,800	1,500	5

Despite record levels of employment, the State Employment Service reports more persons seeking work in the state than at any time in the past five years. Thus evidence continues to point to the fact that the state's labor force is growing faster than its job opportunities.

Preliminary estimates for April place nonagricultural employment in the state at 157,200, compared to 153,400 a year earlier.

### Retail sales high

Cold weather apparently did not lessen the optimistic outlook and enthusiasm of Montana consumers. All indications are that the retail trade industry enjoyed an excellent first quarter. Employment in retail establishments was up 5 percent over January-March 1955. Sales of department stores were 9 percent higher than during the first

three months last year, for the highest first quarter sales ever recorded. Part of the increase was probably due to the fact that Easter was early this year, falling on April 1.

Although new car sales were down in the United States as a whole, Montanans purchased 5,438 new automobiles during January-March, 3 percent over the 5,268 sold during January-March 1955. Late reports, however, indicate that April sales in the state fell below the level of last year.

### New production records

**Petroleum.** One of the notable industrial developments in Montana thus far in 1956 has been the expansion in the oil industry in the eastern part of the state. Production of crude oil during January-March averaged 55,700 barrels per day, 26 percent higher than the same months of 1955, and 160 percent over as recent a period as the first quarter of 1950.

The growth in production has come largely in the Williston Basin area. The East Poplar field now ranks as the leading producer in the state, replacing the older Cut Bank field in north central Montana.

A daily average of 11 percent more crude oil (from Montana and adjacent Wyoming fields) was refined in the state than in January-March 1955. Crude exports to other states during the first three months of the year jumped an enormous 94 percent over the corresponding period in 1955, showing the effect of the new tie-in with pipelines to the Midwest.

	First Quarter <sup>1</sup>		Percent Increase
	1955	1956	
Crude oil production (ave. barrels per day)	44,300	55,700	26
Crude oil refined (ave. barrels per day) <sup>2</sup>	60,000	66,900	11
Crude oil exported (barrels)	1,441,356	2,789,686	94

**Copper.** Activity was also on the upswing in the state's metal mining center at Butte. The world copper supply situation continued tight, with prices increasing to 46 cents a pound in the early part of the year. In an effort to help meet the demand, Montana mines produced 17 percent more copper (daily average) during January-March than in the first quarter of 1955 and achieved the highest rate of production since World War II. By mid-May the supply situation was beginning to ease with some price adjustments anticipated. Industry leaders remain optimistic over prospects for the rest of the year, assuming labor negotiations (contracts expire June 30) are carried out without work stoppages.

With increased emphasis on copper, production of lead and zinc (where demand has been relatively slow) declined further during the first quarter of the year.

<sup>1</sup>Oil and Gas Conservation Commission of the State of Montana.

<sup>2</sup>Includes Wyoming oil refined in Montana.

<sup>1</sup>Unemployment Compensation Commission of Montana.



# MONTANA BUSINESS INDEXES (1947-1949=100)

	Nonagr. Empl. <sup>1</sup>	Carload- ings <sup>2</sup>	Electric Power Con- sumption <sup>3</sup>	Copper Prod. <sup>4</sup>	Zinc Prod. <sup>4</sup>	Crude Oil Prod. <sup>5</sup>	Bank Debits <sup>6</sup>	Depart- ment Store Sales <sup>7</sup>	Agri- cultural Prices <sup>8</sup>	Retail Food Prices <sup>9</sup> (May 1950 =100)
1947	96.3	104.0	94.6	100.6	86.3	96.5	89.9	94.8	102	
1948	101.3	99.1	99.4	100.9	111.3	103.0	103.8	103.5	105	
1949	102.4	97.0	106.0	98.4	102.4	100.6	106.3	101.7	93	
1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
1951	105.2	110.2	114.9	99.8	143.3	98.6	128.6	107.9	118	114.8
1952	108.2	113.0	127.9	107.3	154.8	105.4	134.6	114.0	108	116.0
1953	108.9	119.3	140.9	134.9	151.6	131.1	133.9	111.0	89	113.0
1954	109.5	115.7	122.6	103.2	115.1	156.5	140.5	112.1	88	114.5
1955	113.1	125.6	169.6	141.4	128.8	172.6	153.8	118.8	—	107.7
1955—										
February	103.7	111.7	149.9	144.1	139.2	176.2	135.2	73.4	88	108.6
March	104.1	105.6	137.4	135.1	134.4	178.6	137.7	85.6	89	107.4
April	108.3	107.9	142.7	150.8	131.6	178.2	135.5	114.9	90	108.7
May	111.9	120.6	143.5	143.5	140.5	171.0	148.5	116.0	90	108.0
June	117.8	113.1	149.2	127.0	131.6	176.2	151.0	110.4	91	107.2
July	119.4	120.6	143.8	131.1	118.6	165.7	144.0	115.6	87	108.4
August	121.0	130.5	167.2	135.7	116.8	168.9	156.8	124.0	82	106.7
September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
October	118.1	154.6	211.8	152.9	130.4	155.3	176.6	136.2	82	107.9
November	114.2	146.3	226.9	163.2	125.8	167.3	170.5	142.7	79	105.1
December	112.7	134.7	225.0	150.1	118.2	195.1	164.0	194.6	77	106.1
1956—										
January	109.2	120.9	223.7	153.2	123.5	221.1	161.6	76.0	77	103.2
February	107.5	114.7	225.0	167.1	133.6	218.8	145.8	77.0	76	104.8
March	107.8	116.4	225.8	159.4	138.6	231.7	152.4	102.1	78	104.0
April	111.0 <sub>p</sub>						156.6		80	105.2

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

<sup>2</sup>Computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Computed from kilowatt hour sales of Montana Power Company, Montana-Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

<sup>5</sup>Computed from reports of Oil and Gas Conservation Commission of Montana. Daily average.

<sup>6</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

<sup>7</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

## Daily Average Production (tons)<sup>1</sup>

	First Quarter		Percent Change
	1955	1956	
Copper	251.9	293.7	+17
Lead	56.7	51.2	-10
Zinc	229.1	223.2	-3

Further expansion at Butte is in the offing with the announcement by the Anaconda Company of a new development program. Work will start soon on a multi-million dollar shaft in northwest Butte, to be known as the Ryan shaft. About \$7 million will be expended on equipment for the Berkley pit, where open pit mining is now being carried on. An additional \$9 million will be spent for mill and smelter changes and railroad rolling stock. It is anticipated that this expansion program will add 2,500 men to the company's Butte payroll by 1960.

## Seasonal upswing due

This time of year typically sees a seasonal upsurge of industrial activity in the state, more pronounced than for the nation as a whole because of the severity of Montana winters. Logging crews

<sup>1</sup>U. S. Bureau of Mines.

## NEW BASE FOR MONTANA BUSINESS INDEXES

Our readers will note that the Montana Business Indexes which appear in this issue have been converted to a 1947-1949 base from the old 1935-1939 base. This shift is in accordance with the practice of the federal government and most private statistical agencies. For those interested in earlier years, the new indexes, with the exception of the retail food price index, are available back to 1935 upon request.

return to the forests, new construction gets underway, and other business activity increases. The peak is usually reached in August.

The extent of the upswing this year will depend in large part upon national developments in the housing industry and the metals markets, and upon the vagaries of Montana weather and its effect upon crop prospects.

Several recently-announced local developments, however, will help sustain activity, particularly in the construction field. Electric power developments



are among the most significant, by virtue of potential construction employment opportunities and the prospect of an increased electric power supply in the state. In addition to the Washington Water Power Company's \$85 million Noxon Rapids Dam already under construction in northwestern Montana, the state will soon have two other electric power projects underway. The Montana-Dakota Utilities Company will build an \$8 million, 44,000 kilowatt steam-electric generating plant near Sidney. Initial operation of the plant is anticipated in the fall of 1958, using natural gas until installation of coal burning and coal handling equipment is completed.

The Montana Power Company recently was licensed by the Federal Power Commission to construct a \$15 million hydroelectric development on the Missouri River near Great Falls. Known as the Cochrane project, it will have a generating capacity of 50,000 kilowatts.

Other construction projects scheduled for this year help to brighten the summer employment outlook. Both Glasgow and Malmstrom Air Force Bases have sizable building programs, and major projects are planned for Glacier and Yellowstone National Parks. The National Park Service has allocated \$9.6 million for development of Glacier over the next ten years. The Trident cement plant plans a \$1 million expansion this year. Other large projects scheduled or currently underway are railroad improvement programs, college buildings at Bozeman, Helena, and Missoula, shopping centers and other commercial buildings, and many new public school structures.

Many heavy construction projects in western Montana, including Noxon Rapids Dam and work in Glacier Park, are currently shut down by a work stoppage which began May 10.

With the construction outlook good on the national and state level (with the exception of the western Montana strike mentioned above) the lumber industry is also optimistic. Prices are higher than a year ago. Although logging has been slow in getting underway in western Montana this spring due to unfavorable weather conditions, a high level of production is anticipated for the summer months.

### *Agricultural outlook dim*

Reports on the agricultural situation show a further decline in prices during January and February, with a slight strengthening in March and April. As of April 15, however, the index of prices received by Montana farmers and ranchers for all agricultural products was 11 percent below the level of April 15, 1955.

Cash receipts from farm marketings during January-February were 8.5 percent above the same two months of 1955, due to heavier sales of grain

from last fall's abundant harvest. Receipts from crop sales alone were 16 percent higher than in January-February 1955. Despite large marketings of cattle, receipts from livestock sales were 9 percent below the same two months last year as prices for beef cattle averaged from 12 to 18 percent lower than in 1955.

### Cash Receipts From Farm Marketings<sup>1</sup>

	January - February 1955	February 1956	Percent Change
	(thousands of dollars)		
Livestock and products	18,593	16,863	-9.3
Crops	44,318	51,393	16.0
Total	62,911	68,256	8.5

The U. S. Department of Agriculture predicts that on the national level farm prices, farm costs, and farm income will continue close to current levels for the remainder of the year. This means that realized net income of farm and ranch operators will probably be slightly lower than in 1955, barring possible increases in income that could occur from further changes in federal farm programs.

It is likely that income of Montana farmers and ranchers will decline proportionately more than on the national level this year. The 1956 support price for wheat is slightly lower than that for 1955, and—of greater significance—this year's crop will probably be considerably smaller than last year's. The May 1 report of the Montana Crop and Livestock Reporting Service predicts a winter wheat crop this year equal to approximately one-half of last year's harvest. The outlook has brightened since May 1, however, as the result of recent rains and warmer weather.

<sup>1</sup>U. S. Department of Agriculture, Agricultural Marketing Service.

—BY MAXINE JOHNSON



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Montana State University  
Missoula, Montana

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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

An Interesting and Growing Institution—

## THE CREDIT UNION

Considerable interest is currently being focused upon consumer instalment credit, both nationally and in Montana. One of the lesser known institutions concerned with consumer credit is the credit union. At the present time (June 1, 1956) some 25,000 persons are members of the 123 credit unions now operating in Montana. In terms of the approximately 196,000 households, or consumer units, in the state this membership indicates that 13 percent, or about one in eight households, has an interest in a credit union. This membership represents an impressive growth since 1934, when there were only 4 credit unions with a total of 300 members, or over 1942, when there were 39, with 5,862 members.

### *What is a credit union?*

A credit union is a voluntary association of a group of people who save their money together and make loans to each other. Its primary objective is to promote thrift among its members; it also provides a source of short-term instalment credit at a low rate of interest. The members of a credit union must have a common bond of association. They may be employees of the same company or industry; they may belong to the same club, fraternal organization, church or labor union; or they may all live in the same closely knit community.

Credit unions may operate under a federal charter, or in 45 states, under a state charter. In either case, they are closely supervised by the chartering authority.

### *How does a credit union operate?*

The operation of a credit union is quite simple. Members may deposit their savings, no matter how small, with the union. All members are eligible to borrow from the credit union, subject to the approval of the loan committee.

The bulk of the loans are small unsecured consumer loans, to be repaid on the instalment plan. State charters frequently permit long-term real estate loans. Federally-chartered credit unions, comprising about one-half of the total, are limited to

loans of three years or less. The maximum interest rate which may be charged is 12 percent—one percent per month on the unpaid balance. All other charges and fees are prohibited. There is no additional charge for insurance (discussed on page 4), nor is there any delinquency fee other than the regular 12 percent interest charges on the balance owed. Some credit unions operate on rates lower than 12 percent, depending upon local conditions.

Costs of operation are generally lower for credit unions than for commercial lenders because of donated services (only the treasurer may be reimbursed); an intimate knowledge of loan applicants which eliminates the necessity of costly investigations; and, often, free office space provided by the company or organization by which the members are employed. The exemption of credit unions from federal corporate income and excess profits taxes has also been a factor in recent years.

Any earnings of the credit union after expenses are paid and legal reserves are set aside may be returned to the members in the form of dividends on their savings. Dividend rates usually range between 3 and 4 percent, and, in the case of federally-chartered credit unions, are limited by law to 6 percent. This is also true of credit unions chartered by the state of Montana.

Credit unions are operated on democratic principles. The members elect their own directors and committeemen, with one vote per member regardless of the amount of savings he holds. The Board of Directors elected by the members has general management of the credit union, sets its policies, sets the interest rate, and recommends dividend rates for membership approval. The Credit Committee supervises all loans and the Supervisory Committee is the "watchdog" of the credit union. It keeps an eye on the operations, examines the books of the credit union quarterly, and reports to the members. It has the power to suspend officers and committeemen, if necessary.

Credit unions are closely supervised by state or federal authorities, with regular audits of their



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THEODORE H. SMITH, Dean

## BUREAU OF BUSINESS AND ECONOMIC RESEARCH

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MAXINE JOHNSON, Research Associate

books. The treasurer and all other officers or employees who handle money are bonded. Officers of credit unions may not borrow funds from their organization in excess of the amount of their savings. Local officers, however, have their own credit union, the Montana Central Credit Union, where this limitation does not apply.

### *The development of credit unions . .*

Modern credit union principles were originated in Germany about 1848 by a German burgomaster, Friedrich Wilhelm Raiffeisen. Alarmed by the usury then practiced by money-lenders, which was keeping the peasantry hopelessly in debt, he founded credit union-like organizations in several agricultural villages and towns. While Raiffeisen was working in rural areas, a lawyer by the name of Schulze-Delitzsch was organizing credit unions for small businessmen in the cities. Within a few years, there were 425 credit unions in Germany.

### *... in the United States . . .*

The first credit union in the United States was established in 1909 in New Hampshire. Edward A. Filene, Boston merchant and philanthropist, provided the major impetus for credit union development in the United States. He devoted much time and spent considerable money from his personal fortune in getting state credit union laws passed and credit unions organized. In 1921, he established the Credit Union Extension Bureau for this purpose. There were at that time 190 credit unions in the United States.

Between 1921 and 1934, a significant year in credit union history, steady gains were made. By 1934 there were 2,450 credit unions operating in those states where credit union laws had been passed. An act of Congress in that year provided for the establishment of credit unions operating under federal charter and a Bureau of Federal Credit Unions was established as a supervisory agency. Originally an agency of the Federal Security Administration, it

Table 1  
GROWTH OF CREDIT UNIONS  
IN THE UNITED STATES SINCE 1921

Year	Number
1921	190
1934	2,450
1938	7,158
1942	10,099
1946	8,968
1950	10,568
1951	11,279
1952	12,287
1953	14,152
1954	15,071
1955	16,011

Source: Credit Union National Association, Madison, Wis.

now operates in the Department of Health, Education, and Welfare. Also in 1934, credit union leaders organized the Credit Union National Association, a non-profit, self-supporting organization of credit unions, which supplanted the old Credit Union Extension Bureau begun by Edward A. Filene.

The growth in number of credit unions became much more rapid after 1934. The depression was undoubtedly a factor in the growth, as was the Credit Union National Association, the federal credit union law and the desire of the Bureau of Federal Credit Unions to aid in the movement's development. Established before any federal credit unions were chartered, it naturally engaged in their promotion. A peak of 10,099 unions was reached in 1942, or over four times the 1934 number. Although credit union membership and business declined during the war years 1943-1946, total assets increased steadily as a result of higher wages and the imposition of credit restrictions and other controls which reduced personal consumption expenditures. The postwar years have seen a rapid expansion of credit unions, in number of associations, membership, and assets. As of December 31, 1955, there were 16,011 credit unions in the United States, with almost 8 million members and \$2.7 billion in assets.

Table 2  
ASSETS OF CREDIT UNIONS  
IN THE UNITED STATES, 1955

	December 31, 1955
Number of credit unions	16,011
Number of members	7,933,106
Outstanding loans	\$2,352,914,489
Savings	\$1,905,153,999
Reserves	\$ 182,247,077
Total assets	\$2,705,759,292

Source: Credit Union National Association, Madison, Wis.

Although their growth has been rapid, credit unions play only a minor role in the total consumer instalment credit picture in the United States. On December 31, 1955, credit unions had instalment loans outstanding in the amount of \$1.6 billion, or about 6 percent of total instalment credit.<sup>1</sup>

<sup>1</sup>Total loans outstanding on December 31, 1955, amounted to about \$2.4 billion. (Table 2.) The discrepancy is explained by the fact that some state-chartered credit unions make real estate and other long-term loans.



# MONTANA BUSINESS INDEXES (1947-1949=100)

	Nonagr. Empl. <sup>1</sup>	Carload- ings <sup>2</sup>	Electric Power Con- sumption <sup>3</sup>	Copper Prod. <sup>4</sup>	Zinc Prod. <sup>4</sup>	Crude Oil Prod. <sup>5</sup>	Bank Debits <sup>6</sup>	Depart- ment Store Sales <sup>7</sup>	Agri- cultural Prices <sup>8</sup>	Retail Food Prices <sup>9</sup> (May 1950 =100)
1947	96.3	104.0	94.6	100.6	86.3	96.5	89.9	94.8	102	
1948	101.3	99.1	99.4	100.9	111.3	103.0	103.8	103.5	105	
1949	102.4	97.0	106.0	98.4	102.4	100.6	106.3	101.7	93	
1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
1951	105.2	110.2	114.9	99.8	143.3	98.6	128.6	107.9	118	114.8
1952	108.2	113.0	127.9	107.3	154.8	105.4	134.6	114.0	108	116.0
1953	108.9	119.3	140.9	134.9	151.6	131.1	133.9	111.0	89	113.0
1954	109.5	115.7	122.6	103.2	115.1	156.5	140.5	112.1	88	114.5
1955	113.1	125.6	169.6	141.4	128.8	172.6	153.8	118.8	—	107.7
1955—										
February	103.7	111.7	149.9	144.1	139.2	176.2	135.2	73.4	88	108.6
March	104.1	105.6	137.4	135.1	134.4	178.6	137.7	85.6	89	107.4
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July	119.4	120.6	143.8	131.1	118.6	165.7	144.0	115.6	87	108.4
August	121.0	130.5	167.2	135.7	116.8	168.9	156.8	124.0	82	106.7
September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
October	118.1	154.6	211.8	152.9	130.4	155.3	176.6	136.2	82	107.9
November	114.2	146.3	226.9	163.2	125.8	167.3	170.5	142.7	79	105.1
December	112.7	134.7	225.0	150.1	118.2	195.1	164.0	194.6	77	106.1
1956—										
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February	107.5	114.7	225.0	167.1	133.6	218.8	145.8	77.0	76	104.8
March	107.8	116.4	225.8	160.4	149.6	231.7	152.4	102.1	78	104.0
April	111.0 <sub>p</sub>		226.6	166.0 <sub>p</sub>	145.9 <sub>p</sub>		156.6	118.2	80	105.2

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

<sup>2</sup>Computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Computed from kilowatt hour sales of Montana Power Company, Montana-Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

<sup>5</sup>Computed from reports of Oil and Gas Conservation Commission of Montana. Daily average.

<sup>6</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

<sup>7</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

**Table 3**  
**INSTALMENT CREDIT BY TYPE OF HOLDER,**  
**UNITED STATES, DECEMBER 31, 1955**

	Amount (Millions)	Percent of Total
Total instalment credit outstanding	\$27,895	100
Financial institutions	23,863	86
Commercial banks	10,347	37
Sales finance companies	8,938	32
Credit unions	1,580	6
Other <sup>1</sup>	2,998	11
Retail outlets	4,032	14

<sup>1</sup>Includes consumer finance (small loan) companies, industrial loan companies, mutual savings banks, savings and loan associations, and other lending institutions holding consumer instalment loans.

Source: U. S. Department of Commerce, *Survey of Current Business*, February 1956.

## ...and in Montana

Not until 1929 was a credit union law passed by the Montana legislature. In that year, five credit unions were established in the state. Of the original five, two are still in operation: the Silver Bow Federal Employees' Credit Union in Butte and the Leon Credit Union in Lake County. The latter is one of the few community-type organizations.

The growth of credit unions through the 1930's was slow, probably due to the lack of active promotion, the size of the state and its population, and the small number of businesses and organizations with workers or members numbering over 100—the recommended minimum membership for a new credit union.

In 1941, the credit unions then operating in the state formed the Montana Credit Union League. Its purpose was to promote new credit unions and to act as a service agency for existing unions. The Montana Credit Union League is operated and financed by the member credit unions through dues. Forty-seven states now have such leagues.

The period since World War II has seen a rapid expansion of credit unions in Montana—from 39 associations with 7,500 members and \$824,000 in total assets in 1946 to 93 credit unions, 19,000 members and almost \$6 million in assets at the end of 1955. Since January 1, 1956, the rate of growth has been accelerated with 30 new credit unions being organized and with membership increased to about 25,000.

Of the 123 credit unions currently operating in the state, the largest group (23) is agricultural in nature.



**Table 4**  
**GROWTH OF CREDIT UNIONS IN MONTANA**

End of Year	Number of Credit Unions	Number of Members	Loans Outstanding	Total Assets
1929	5	—	—	—
1934	4	300	—	\$ 10,988
1938	19	1,840	\$ 67,721	82,918
1942	39	5,862	155,209	—
1946	39	7,504	415,432	824,170
1950	45	9,952	1,344,965	1,775,053
1953	82	18,496	3,941,499	4,380,605
1954	89	18,780	3,526,100	4,542,200
1955	93	19,000	4,531,200	5,726,081

Source: U. S. Department of Labor, *Monthly Labor Review*; Credit Union National Association; and Montana Credit Union League. 1955 figures, preliminary.

Railroad employees operate 10 credit unions; oil industry employees, 6; miners, 5; and telephone workers, 4. Seven credit unions are operated by educational groups, and there are four community associations similar to the Leon Credit Union mentioned above. Other credit unions in the state serve a wide range of industrial and commercial workers, civil employees, a ministerial association, and military personnel. The largest credit union in Montana is operated by railroad employees at Livingston with approximately 2,500 members and assets of around \$900,000.

As is true nationally, credit unions, although growing, constitute only a very small part of the total consumer credit structure of Montana. Data comparable to those given in Table 3 are not available for the state. Outstanding loans of Montana credit unions in the amount of \$4.5 million on December 31, 1955, however, may be compared with instalment loans of Montana banks amounting to \$60.6 million on the same date.

### *The case for the credit union*

The primary purpose of a credit union is the promotion of thrift among its members. In this respect, it performs a most worth while service. While the average savings per member is small (\$192 in Montana in 1954), some of the members probably would have no savings plan were it not for the credit union. The participation of fellow workers and the easy accessibility of the credit union office, especially if it is a company organization, often serve as stimuli.

The policy of thrift is also served by the availability of small instalment loans at a low cost (12 percent). The majority of loans made by credit unions are small—the average size is around \$300, but many are much smaller. Such loans are generally unprofitable for banks (the commercial lending agencies with the lowest interest rates—usually ranging from 12 to 24 percent), and often banks would prefer not to handle them. Rates charged by other lending agencies are usually much higher.

Credit unions provide other benefits for their members, in the form of life insurance and loan protection insurance, through the CUNA Mutual Insur-

ance Society, an insurance company owned and operated by the Credit Union National Association. Under the life insurance program, insurance is carried on the lives of members, in proportion to their savings, up to \$1,000. Loan protection insurance is taken out on the lives of credit union borrowers. If an insured borrower dies, or becomes totally and permanently disabled, the insurance pays off the loan balance. Premiums on both types of insurance are paid for out of earnings, with no additional charge to members.

Savings deposited with a credit union are not insured against loss as bank deposits are under the Federal Deposit Insurance Corporation. All persons who handle money for the credit union are bonded, however, and credit union funds are kept in bank deposits. Operations of the credit union are supervised both by the members' own supervisory committee and by the chartering authority. The history of loan repayment—the area where the possibility of loss might exist—has been remarkable. Less than one-fifth of one percent of credit union loans in the United States have not been repaid. Reserves are set aside each year to cover any uncollectible loans.

There is no doubt that credit unions have proved their financial soundness and established a place, although small, in the financial picture. Not everyone, of course, would care to use their services. Persons in the upper financial brackets find their services less useful than lower- and middle-income individuals. Others, irrespective of financial position, may be opposed to the cooperative principles under which credit unions operate. Or, they may not want fellow-employees or fellow-members to know and handle their financial affairs.

The steady growth of credit unions, however, and the enthusiastic testimony of many members are proof of the valuable services which they are rendering.



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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## EMPLOYMENT PATTERNS IN MONTANA COUNTIES

Most reports dealing with the Montana economy must deal with state averages. Little information is available on the local or county level. Yet in a state as large as Montana wide variances exist between areas. Even the casual observer will note that while some communities are currently experiencing what amounts to boom conditions, others appear to be either barely holding their own or losing ground. Fortunately, employment figures (one of the best indicators of business activity) are compiled annually for Montana counties by the state Unemployment Compensation Commission. They shed considerable light upon the variation in growth—or the lack of growth—among Montana counties.

The data are for "covered" employment only; that is, they include only nonagricultural industries covered by unemployment insurance and therefore exclude interstate railroads, government, and a small segment of the service industries. County figures are understated in certain instances, particularly in the utilities and the trade industries, because of the presence of a few large employers who report to the Commission on a statewide basis, with county data for their operations not available. Nevertheless, if these limitations are kept in mind, covered employment figures can provide useful information as to county development.

### Concentration of employment

Of the 56 counties in the state, only five — Yellowstone, Cascade, Silver Bow, Missoula, and Flathead—had covered employment in excess of 5,000 workers in fiscal 1955.<sup>1</sup> Together, they employed 52 percent of total state covered employment in that year, having increased their proportion of the total from 47 percent in fiscal 1950. Within their borders are five major Montana cities — Billings, Great Falls, Butte, Missoula, and Kalispell. Their attraction for new industries or new commercial ventures is naturally greater than counties with no sizable towns. As the agricultural population declines, new residents from rural areas and the smaller towns are constantly

moving in. As a result, with the exception of Silver Bow County, these areas are increasing their employment much more rapidly than the state as a whole, where covered employment increased 9 percent between fiscal 1950 and fiscal 1955. (Table 1.)

Fastest-growing by far of the major counties is Yellowstone with an increase of 52 percent in covered employment between 1950 and 1955. The effect of increased oil activity since 1950 is clearly indicated by the data in Table 2.<sup>2</sup>

Flathead, Missoula, and Cascade counties also experienced substantial gains — 22, 20, and 18 percent respectively. Manufacturing industries, particularly lumber, played a major role in expansion in Flathead and Missoula counties between fiscal 1950 and fiscal 1955. The effect of the new aluminum plant, which further increased manufacturing employment in Flathead County, is not shown in the figures in Table 2. Production did not begin until August 1955, and the fiscal year ended on June 30. In Cascade County, most of the growth occurred in the trade

<sup>2</sup>Petroleum production employment is included in the mining group; refining in manufacturing; and pipeline employees in the transportation, communication, and other public utilities group.

Table 1

### COVERED EMPLOYMENT IN MONTANA, FISCAL 1950 AND FISCAL 1955

Industry Group	1950	1955	% Change
Total	98,627	108,048	9
Mining	9,483	10,710	10
Contract construction	9,628	11,001	14
Manufacturing	17,987	19,426	8
Transportation, communication, and other public utilities <sup>1</sup>	7,626	8,703	14
Wholesale and retail trade	36,399	39,196	8
Finance, insurance, and real estate	3,804	4,972	31
Service industries	13,700	14,040	2

<sup>1</sup>Except interstate railroads.

Source: Unemployment Compensation Commission of Montana.

<sup>1</sup>July 1, 1954 — June 30, 1955.



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THEODORE H. SMITH, Dean

## BUREAU OF BUSINESS AND ECONOMIC RESEARCH

Member, Associated University Bureaus of Business and Economic Research

MAXINE JOHNSON, Research Associate

and service industries, as Great Falls continued as the major trade center for northcentral Montana.

Of the five major counties, only Silver Bow did not record an impressive growth, with an increase in covered employment of only 2 percent over the five years. Plans for large-scale expansion in the Butte mines should accelerate the future growth of employment in the county.

Lewis and Clark County, with the state capital, Helena, is also a major employment center in the state. The large number of government workers (excluded from unemployment insurance coverage) makes total nonagricultural employment much greater than the 4,200 covered employment reported in 1955. Covered employment in the county was down 12 percent from 1950, due largely to the completion of Canyon Ferry Dam, which had employed large numbers of construction workers, and the closing of the large Mike Horse Mine during the period.

The extent of concentration of industrial employment in Montana is further illustrated by the data in Table 3. In mining, Silver Bow County employed 53 percent of total state employment in fiscal 1955. The inclusion of Deer Lodge and Yellowstone counties gives a three-county total of 70 percent of

Table 3  
CONCENTRATION OF INDUSTRIAL EMPLOYMENT  
IN MONTANA, FISCAL 1955

	County	Number of Workers	Percent of State Total
Mining <sup>1</sup>	Silver Bow	5,652	53
	Deer Lodge	1,028	10
	Yellowstone	819	7
	Total, three counties	7,499	70
Contract construction	Yellowstone	2,172	20
	Cascade	1,577	14
	Flathead	1,491	14
	Total, three counties	5,240	48
Manufacturing	Cascade	2,784	14
	Yellowstone	2,667	14
	Missoula	2,303	12
	Deer Lodge	2,146	11
	Total, four counties	9,900	51

<sup>1</sup>Including crude petroleum production.

Source: Unemployment Compensation Commission of Montana.

state employment in the industry. In construction the three counties of Yellowstone, Cascade and Flathead employed 48 percent of the state total that year. Whereas Yellowstone and Cascade are typically leaders in construction employment, Flathead County employment in that industry skyrocketed first with construction of Hungry Horse Dam and later the aluminum plant. Since its completion, construction employment has probably declined considerably in the county.

Manufacturing employment, too, is heavily concentrated, with 51 percent of state employment in four counties: Cascade, Yellowstone, Missoula, and Deer Lodge. In Cascade and Deer Lodge counties, the smelters employ large numbers of workers; in Yellowstone County, oil refining is important; and in Missoula County, lumber is the major manufacturing activity. Two other western Montana lumber counties, Flathead and Lincoln, have substantial manufacturing employment, approximately 1,600 each.

Table 2  
COVERED EMPLOYMENT IN LEADING MONTANA COUNTIES,  
FISCAL 1950 AND FISCAL 1955

Industry Group	YELLOWSTONE			CASCADE			SILVER BOW			MISSOULA			FLATHEAD		
	1950	1955	% Change	1950	1955	% Change	1950	1955	% Change	1950	1955	% Change	1950	1955	% Change
Total	10,663	16,186	52	11,351	13,357	18	12,768	13,055	2	6,262	7,544	20	4,881	5,946	22
Mining	205	819	300	73	49	-33	5,626	5,632	-	28	24	-14	6	5	-17
Contract construction	1,360	2,172	60	1,393	1,577	13	476	565	19	581	772	33	1,012	1,491	47
Manufacturing	1,887	2,667	41	2,878	2,784	-3	808	1,189	47	1,870	2,303	23	1,414	1,606	14
Wholesale and retail trade	4,360	6,290	44	4,332	5,386	24	3,747	3,548	-5	2,186	2,751	26	1,430	1,691	18
Finance, insurance, and real estate	488	932	91	595	948	59	377	542	44	188	265	41	138	166	20
Other <sup>1</sup>	2,363	3,306	40	2,080	2,613	26	1,734	1,559	-10	1,409	1,429	1	881	987	12

<sup>1</sup>Includes transportation (except interstate railroads), communication, and other public utilities, service industries, and miscellaneous industries not elsewhere classified.

Source: Unemployment Compensation Commission of Montana.



# MONTANA BUSINESS INDEXES (1947-1949=100)

	Nonagr. Empl. <sup>1</sup>	Carload- ings <sup>2</sup>	Electric Power Con- sumptions <sup>3</sup>	Copper Prod. <sup>4</sup>	Zinc Prod. <sup>4</sup>	Crude Oil Prod. <sup>5</sup>	Bank Debits <sup>6</sup>	Depart- ment Store Sales <sup>7</sup>	Agri- cultural Prices <sup>8</sup>	Retail Food Prices <sup>9</sup> (May 1950 =100)
1947	96.3	104.0	94.6	100.6	86.3	96.5	89.9	94.8	102	
1948	101.3	99.1	99.4	100.9	111.3	103.0	103.8	103.5	105	
1949	102.4	97.0	106.0	98.4	102.4	100.6	106.3	101.7	93	
1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
1951	105.2	110.2	114.9	99.8	143.3	98.6	128.6	107.9	118	114.8
1952	108.2	113.0	127.9	107.3	154.8	105.4	134.6	114.0	108	116.0
1953	108.9	119.3	140.9	134.9	151.6	131.1	133.9	111.0	89	113.0
1954	109.5	115.7	122.6	103.2	115.1	156.5	140.5	112.1	88	114.5
1955	113.1	125.6	169.6	141.4	128.8	172.6	153.8	118.8	—	107.7
1955—										
April	108.3	107.9	142.7	150.8	181.6	178.2	135.5	114.9	90	108.7
May	111.9	120.6	143.5	143.5	140.5	171.0	148.5	116.0	90	108.0
June	117.8	113.1	149.2	127.0	131.6	176.2	151.0	110.4	91	107.2
July	119.4	120.6	143.8	131.1	118.6	165.7	144.0	115.6	87	108.4
August	121.0	130.5	167.2	135.7	116.8	168.9	156.8	124.0	82	106.7
September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
October	118.1	154.6	211.8	152.9	130.4	155.3	176.6	136.2	82	107.9
November	114.2	146.3	226.9	163.2	125.8	167.3	170.5	142.7	79	105.1
December	112.7	134.7	225.0	150.1	118.2	195.1	164.0	194.6	77	106.1
1956—										
January	109.2	120.9	223.7	153.2	123.5	221.1	161.6	76.0	77	103.2
February	107.5	114.7	225.0	167.1	133.6	218.8	145.8	77.0	76	104.8
March	107.8	116.4	225.8	160.4	149.6	231.7	152.4	102.1	78	104.0
April	111.6 <sub>p</sub>	125.1	226.6	179.5 <sub>p</sub>	168.9 <sub>p</sub>	226.9	156.6	118.2	80	105.2
May	115.3		224.8 <sub>p</sub>	154.4 <sub>p</sub>	144.4 <sub>p</sub>	231.3	153.1	117.2	81	105.0

<sub>p</sub>preliminary      <sub>r</sub>revised

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

<sup>2</sup>Computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Computed from kilowatt hour sales of Montana Power Company, Montana-Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

<sup>5</sup>Computed from reports of Oil and Gas Conservation Commission of Montana. Daily average.

<sup>6</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

<sup>7</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

## Some small counties record substantial gains

Several of the smaller counties recorded larger percentage increases in employment than did the larger counties previously mentioned. Frequently the increase was due to one new development or expansion in a single industry which, imposed upon a small base, resulted in impressive gains. The construction of Tiber Dam, for example, increased covered employment in Liberty County by 292 percent in 1955 over 1950. This growth, of course, was temporary. With the recent completion of the dam, many of the workers have migrated to other areas. Similarly, the large increase in employment in Stillwater County is largely the result of one enterprise, the reactivation of the Mouat mine beginning in 1952. If operation of the mine is not continued after the expiration of the present government contract, Stillwater County can expect a contraction of employment.

Other small counties appear to have made more permanent gains. McCone, Treasure, and Dawson have experienced substantial increases due to oil activity. In western Montana, Mineral and Lincoln

counties have made gains in manufacturing employment due to expansion of lumber production.

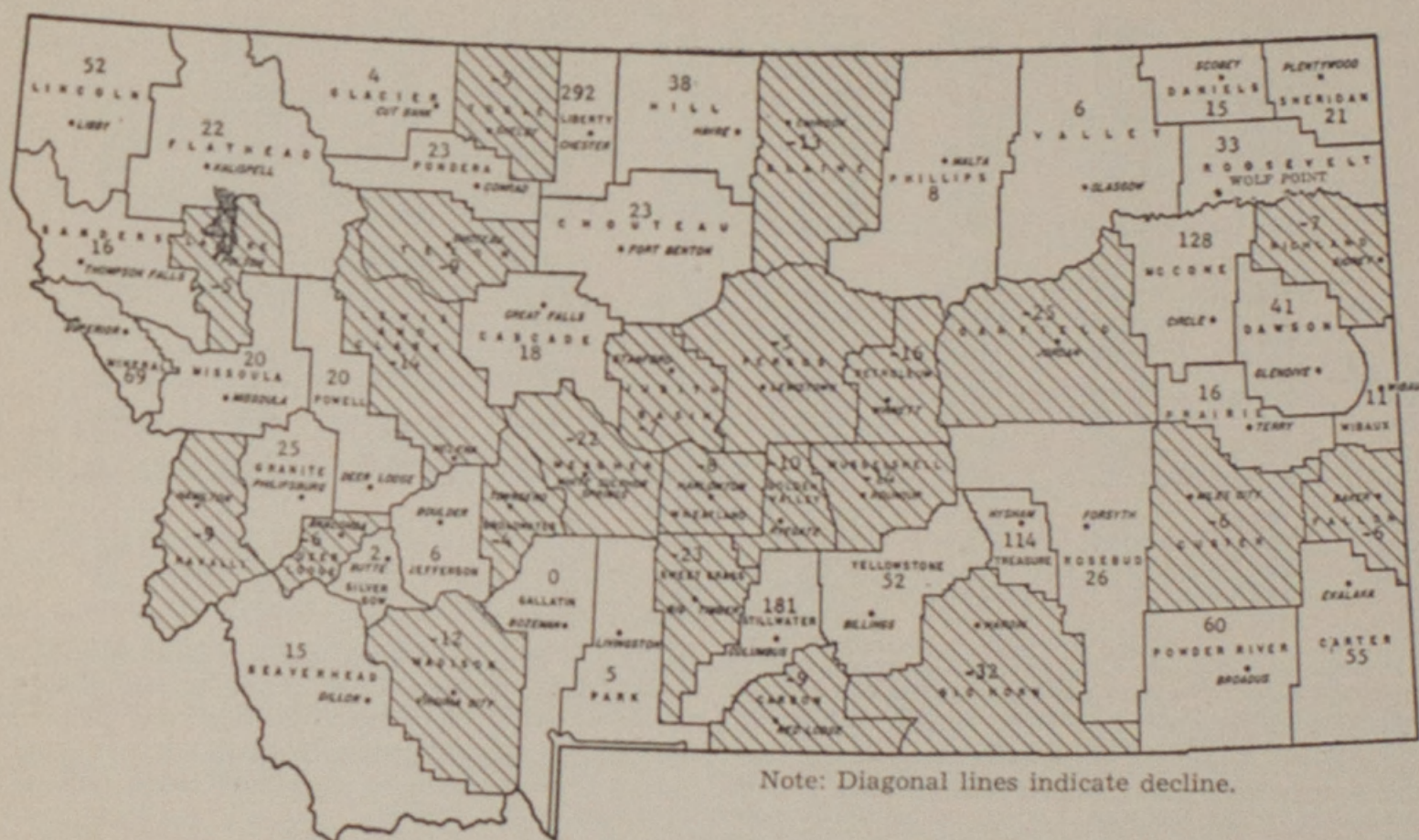
An increase in employment in basic industries (such as mineral production or manufacturing) generally results in a gain in employment in the tertiary industries (trade, services, and finance) as well. This has been the case in most of the Montana counties mentioned above, further illustrating the importance of new basic industry to the state.

## Employment declines in 23 counties

Twenty-three counties in the state suffered declines in covered employment between the fiscal years 1950 and 1955. Most of them are small counties; together, they accounted for only 18 percent of total covered employment in Montana in 1955. If Deer Lodge and Lewis and Clark counties are omitted, the remaining 21 counties provided employment for only 10 percent of the total of insured workers in the state. Because of the small size of the base, loss of a few workers sometimes resulted in a substantial percentage decline in employment—for example, Sweet Grass County, with a decline from 236 covered employees in 1950 to 181 in 1955 (—23



**Figure 1**  
**MONTANA COUNTIES WITH INCREASES AND DECREASES IN COVERED EMPLOYMENT**  
**Fiscal 1950 — Fiscal 1955**



Note: Diagonal lines indicate decline.

Source: Unemployment Compensation Commission of Montana.

percent) or Golden Valley with a decline from 20 to 18 (—10 percent).

The bulk of the counties in which declines occurred are located in central Montana. (Figure 1.) The major economic activity is agriculture, with livestock as the chief source of income. In a few of the counties, declining employment occurred in a particular industry. For example, in coal-producing Musselshell County, a decline of 23 percent in the number of mine employees was the major factor in the decline in total employment. Loss of manufacturing employment occurred in Richland and Blaine counties and in Big Horn a decline in manufacturing combined with a loss in construction resulted in a 32 percent decline in total covered employment over the five-year period.

In most of the other central Montana counties in which declines occurred no one industry can be singled out as an explanation for the loss. The decline in cattle prices since 1950 no doubt has had an effect on employment in industries serving agriculture in the region. Most of these counties, however, have been losing population since 1930, as ranches have become larger and the rural population has declined. Comparable employment figures are not available for years earlier than 1950, but it is likely that the decline is a continuation of a long-term trend. With the size of ranches still becoming larger and the rural

population still declining, the reversal of this trend must await further development of natural resources and the establishment of new small industries in the area.

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# MONTANA BUSINESS

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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## COMMERCIAL BANKS IN THE MONTANA ECONOMY

One hundred thirteen commercial banks, with a record-breaking \$747 million in combined assets are currently serving industry, commerce, and agriculture in Montana. In addition to providing credit and a substantial amount of investment funds for business, they provide a multitude of services for the individual customer. These include checking accounts, savings accounts, instalment credit, mortgage loans, and in many instances, a trust department for handling individual estates. Thus banks serve many persons and most businesses. Without them, a large part of the complex system of producing and distributing income would slacken or even halt.

Commercial banks operate as business concerns, earning a living by the services which they render. Because of the social nature of their operations they have been subject in this country to a large degree of public regulation—either state or federal, depending upon the chartering authority. They are primarily, however, corporations organized by stockholders in the hope of earning a profit. As such they are tax-paying institutions. The majority of Montana banks are independently owned, although approximately one-fourth are members of group banking systems. Such banks, of course, are locally managed. Among them are some of the larger banks in the state.

### *The early banks*

The history of Montana banks is an interesting subject, reflecting the economic development of the state, the rather violent record of the early economy, and its gradual maturity.

Soon after the first communities were settled, the need for banks developed. The earliest "permanent" bank was organized less than 100 years ago (1864) in the mining town of Virginia City and operated until 1922.<sup>1</sup>

<sup>1</sup>The oldest bank still in operation is the First National Bank of Missoula, organized in 1873.

One of the chief services rendered by early Montana banks was the handling of gold. The precious metal lured many of the first settlers to the state and provided the economic basis for many of the early communities. Gold was sent by the banks to New York financial houses by stage. Weeks later, when the assay report was returned, customers were paid, or if the bank had bought the gold outright, the profit or loss was calculated. Credits thus built up in eastern banking houses were used by local businessmen for buying goods in eastern cities, to secure coin and currency for local circulation, or for bank purchases of government bonds as security for locally issued national bank notes. The large-scale handling of gold ore occasionally made it advantageous for the early banker to be accurate with a six-shooter as well as with his accounts.

Miners frequently needed financing, and the early cattlemen who ran their livestock on the open range often turned to the banks for financial aid. Because both types of loans were highly speculative, interest rates were high. Up to the turn of the century, charges of 12 percent compounded monthly were common. However, banks also found it necessary to pay a high rate of interest on time deposits to prevent the early settlers from sending their money out of the territory and to assure the availability of funds to finance new business ventures in the pioneer communities.

By 1900, there were 42 banks in the state. Of the total, 21 were national banks organized under the National Bank Act passed by the United States Congress in 1863, 15 were state banks chartered by the Montana Banking Department, and 6 were privately-owned, unincorporated banks.<sup>2</sup>

The years between 1900 and 1920 saw a tremendous increase of 126 percent in the population of Montana. With banking laws relating to the establishment of

<sup>2</sup>Private banks operated in the state until 1928, although a state law passed in 1915 prohibited the formation of any new ones.



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MAXINE JOHNSON, Research Associate

new banks, either state or national, still very lax, the number of banks in the state increased more than tenfold during the same period—from 42 in 1900 to 431 in 1920. Most of the increase in number of banks came between 1910 and 1920. This decade was the last great period of homesteading in Montana, as thousands of families moved to the state to settle in the dryland farming areas of eastern Montana. In almost every small rural community, at least one bank was established, with the result that banking facilities were greatly over-expanded. In 1920, Montana found itself with one bank for every 1,270 persons—men, women, and children.<sup>3</sup>

### The 1920's and 1930's

The era of unrestrained formation of new banks came to an abrupt end after 1920. If there were few legal restraints, economic ones became increasingly evident. Despite the excessive number of banks and frequent over-extension of credit, the state had experienced only a dozen bank failures during the preceding 25 years. A rapidly growing population and economy, plus the prosperity of World War I, had helped postpone the reckoning. Bank deposits in the state's banks had increased 645 percent from \$22 million to \$165 million between 1900 and 1920 while loans outstanding rose from \$19 million to \$156 million—727 percent. (Table 1.) The bulk of the loans were agricultural in nature, for agriculture—crop and livestock production—was the predominant industry in the state. This lack of diversity was to result in disaster for the economy of the state, and for many Montana banks.

<sup>3</sup>At the same time the national ratio was one bank for each 4,000 of population. Today—with a vastly increased volume of business—the ratio is approximately one per 8,000 in the United States and one per 5,600 in sparsely settled Montana.

Beginning in 1917, Montana experienced a series of drouth years which continued until 1922. The drouth, combined with the collapse of farm prices which accompanied the postwar recession, soon resulted in chaos in the banking system of the state. The situation grew steadily worse from 1921 through 1924. In that year 91 Montana banks, with total liabilities of approximately \$26.5 million, closed their doors, bringing total failures for the four-year period to 165.

#### Failures of Montana Banks<sup>1</sup>

1921	13
1922	20
1923	41
1924	91

165

<sup>1</sup>Reports of Montana State Examiner.

Bank failures tapered off after 1924, although consolidations and voluntary liquidations brought further reductions in total numbers. New banks were chartered at a much slower rate. Improved transportation and a declining rural population had eliminated the demand for the services of many small country banks. By 1932, there were just 151 banks in Montana, compared to 431 twelve years earlier. The depression of the thirties was to take a further toll of Montana banks, although failures were fewer than in the early years of the preceding decade and constituted a smaller proportion of the total than in the United States as a whole. The seriousness of the economic situation in Montana is indicated by a decline of 51 percent in loans and 40 percent in deposits of Montana banks between 1928 and 1932. (Table 1.) Further declines in 1933 brought loans outstanding down to \$31 million, 67 percent below 1928, and deposits to \$85 million, 47 percent under 1928. Seventeen banks closed their doors in 1933, year of the bank holiday, and 9 were suspended the following year.

### Montana banks today

The past twenty years, since 1936, have seen a rapid growth in the size and stability of Montana banks. During the entire period, only two small banks in agricultural communities have failed, with

#### CASH RECEIPTS FROM FARM MARKETINGS IN MONTANA, FIRST SEVEN MONTHS, 1955-1956

	First 7 Months		Percent Change
	1955	1956	
Livestock and products	64,980	61,360	-6
Crops	92,919	102,826	11
Total	157,899	164,186	4

Source: U. S. Department of Agriculture, Agricultural Marketing Service.



# MONTANA BUSINESS INDEXES (1947-1949=100)

	Nonagr. Empl. <sup>1</sup>	Carload- ings <sup>2</sup>	Electric Power Con- sumptions <sup>3</sup>	Copper Prod. <sup>4</sup>	Zinc Prod. <sup>4</sup>	Crude Oil Prod. <sup>5</sup>	Bank Debits <sup>6</sup>	Depart- ment Store Sales <sup>7</sup>	Agri- cultural Prices <sup>8</sup>	Retail Food Prices <sup>9</sup> (May 1950 =100)
1947	96.3	104.0	94.6	100.6	86.3	96.5	89.9	94.8	102	
1948	101.3	99.1	99.4	100.9	111.3	103.0	103.8	103.5	105	
1949	102.4	97.0	106.0	98.4	102.4	100.6	106.3	101.7	93	
1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
1951	105.2	110.2	114.9	99.8	143.3	98.6	128.6	107.9	118	114.8
1952	108.2	113.0	127.9	107.3	154.8	105.4	134.6	114.0	108	116.0
1953	108.9	119.3	140.9	134.9	151.6	131.1	133.9	111.0	89	113.0
1954	109.5	115.7	122.6	103.2	115.1	156.5	140.5	112.1	88	114.5
1955	113.1	125.6	169.6	141.7 <sub>r</sub>	129.6 <sub>r</sub>	172.6	153.8	118.8	—	107.7
1955—										
June	117.8	113.1	149.2	127.0	131.6	176.2	151.0	110.4	91	107.2
July	119.4	120.6	143.8	131.1	118.6	165.7	144.0	115.6	87	108.4
August	121.0	130.5	167.2	135.7	116.8	168.9	156.8	124.0	82	106.7
September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
October	118.1	154.6	211.8	154.2 <sub>r</sub>	133.3 <sub>r</sub>	155.3	176.6	136.2	82	107.9
November	114.2	146.3	226.9	164.7 <sub>r</sub>	129.1 <sub>r</sub>	167.3	170.5	142.7	79	105.1
December	112.7	134.7	225.0	151.4 <sub>r</sub>	121.1 <sub>r</sub>	195.1	164.0	194.6	77	106.1
1956—										
January	109.2	120.9	223.7	153.2	123.5	221.1	161.6	76.0	77	103.2
February	107.3 <sub>r</sub>	114.7	225.0	167.1	133.6	218.8	145.8	77.0	76	104.8
March	107.8	116.4	225.8	160.4	149.6	231.7	152.4	102.1	78	104.0
April	111.6	125.1	226.6	179.5 <sub>r</sub>	168.9 <sub>r</sub>	226.9	156.6	118.2	80	105.2
May	115.3	129.0	224.8	170.1 <sub>r</sub>	158.8 <sub>r</sub>	231.3	153.1	117.2	81	105.0
June	120.0		221.7	166.6 <sub>p</sub>	144.9	240.9	165.2	114.9	81	112.5
July	120.6			169.1 <sub>p</sub>	121.2 <sub>p</sub>	248.2	167.8	117.8	82	113.9
August	120.3 <sub>p</sub>						165.0		82	108.0

<sub>r</sub>preliminary      <sub>p</sub>revised

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

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<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

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<sup>7</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

total deposits of \$173,000. Two others in financial difficulty were merged with other banks. No bank failure has occurred since 1939. This excellent record is considerably better than that of banks in a number of neighboring states.

Today's Montana banks are as different from their early day predecessors as are modern Montana cities from the original mining camps. Modern buildings and equipment are far removed from the old, frequently crowded quarters and the traditional long desk where the bookkeeper kept the accounts by hand. One early bank—in Drummond—occupied a building 7½ feet by 27½ feet. Others frequently conducted their business in one corner of a general store or similar establishment. In most Montana cities today, bank buildings are among the most attractive structures in the business district. In the past few years, extensive programs of remodeling and of new buildings, have created a small "construction boom" within the industry.

The type of business done by banks has also under-

gone a good deal of change. Agricultural loans, although still of great importance, no longer predominate, except in the smaller rural banks. As the volume of nonagricultural business in the state has increased, loans to commercial and industrial borrowers have grown.

In recent years the banks have intensified their activities in other lending fields. Consumer installment loans, a relatively new field for banks, have had a very rapid growth. On December 31, 1955, Montana banks had installment loans outstanding in the amount of \$60.6 million. In addition, of course, banks buy installment paper and make loans to other consumer credit institutions. Real estate mortgage loans have also been of growing importance. Real estate loans by Montana banks on farmland, residences, and other properties amounted to \$64.7 million on December 31, 1955. Over \$52 million represented loans on residences alone, with \$37 million of the total consisting of government-guaranteed loans.



**TABLE 1**  
**Montana Banks Since 1900 — Number, Loans, and Deposits**

Year <sup>1</sup>	Number of Banks				Loans <sup>2</sup>			Deposits <sup>3</sup>		
	State	Private	National	Total	State & Private (Thousands of dollars)	National	Total	State & Private (Thousands of dollars)	National	Total
1900	15	6	21	42	7,864	11,003	18,868	9,576	12,524	22,100
1904	27	6	26	59	10,290	13,906	24,197	11,929	15,629	27,557
1908	49	5	40	94	15,978	21,759	37,737	17,715	28,475	46,190
1912	154	28	58	240	29,370	26,848	56,218	35,421	32,522	67,943
1916	218	19	69	306	49,154	35,925	85,079	63,433	48,767	112,200
1920	278	8	145	431	89,033	66,979	156,012	89,100	75,580	164,680
1924	153	2	93	248	38,616	39,859	78,475	55,920	56,810	112,730
1928	130	2	70	202	45,655	48,881	94,536	78,657	80,948	159,605
1932	98	0	53	151	24,315	22,183	46,498	40,463	55,084	95,547
1936	75	0	46	121	16,196	14,175	30,371	54,292	71,613	125,905
1940	69	0	43	112	19,445	16,899	36,344	62,912	81,421	144,333
1944	60	0	41	110	21,042	14,863	35,905	148,236	160,789	309,025
1948	73	0	39	112	59,536	45,358	104,894	240,230	246,466	486,696
1952	71	0	39	110	85,091	77,743	162,834	274,055	281,333	555,388
1955 <sup>4</sup>	73	0	40	113	139,722	130,371	270,093	338,135	334,534	672,669

<sup>1</sup>On or about June 30.

<sup>2</sup>Including overdrafts. Because of rounding, totals do not always add.

<sup>3</sup>Deposits of individuals, partnerships and corporations and government deposits.

<sup>4</sup>December 31.

Source: Annual Reports, Montana State Examiner, Montana Banking Department, Comptroller of the Currency, and Federal Deposit Insurance Corporation.

This increased diversification has, of course, contributed greatly to the stability of Montana banks, lessening the effect of agricultural ups and downs.

Adding to the efficiency with which Montana banks operate is the Helena branch of the Federal Reserve Bank, established in 1921. Helena holds the distinction of being the smallest city in the United States with a Federal Reserve branch. It supplies most of the currency and coin used in Montana to the banks who in turn furnish it to their customers. In addition, it expedites the collection and

clearing service on checks and renders many other services to the banking community and to the state as a whole.

The future of Montana banks is, of course, bound to the future of Montana. While playing a leading role in the state's future development, they will in turn be influenced by the course which that development takes. As Montana grows, new opportunities for continued and expanded service by banks to the business community will appear.



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# MONTANA BUSINESS

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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## NEW HIGH IN MONTANA PERSONAL INCOME IN 1955

A new high in personal income—\$1,160 million—was set in Montana in 1955. Per capita income (total income divided by total population) amounted to \$1,844, also a record high.<sup>1</sup>

The \$1,160 million total personal income in Montana in 1955 represented a gain of 8 percent over 1954. Nationally, the increase amounted to 7 percent. The state's per capita income (\$1,844) was approximately the same as the national (\$1,847). Increases over 1954 per capita income amounted to 6 percent for Montana and 5 percent for the United States.

### *Nonagricultural income approaches billion dollar mark*

Income from nonagricultural sources approached the billion dollar mark in Montana last year. The \$926 million figure represented an increase of \$61 million (7 percent) over nonfarm income in 1954. Data for some, but not all of the components of non-agricultural income, have been set forth by the Office of Business Economics. They appear in Table 2. Government income disbursements (total income received by residents of Montana from the federal, state, and local governments) amounted to \$195 million in 1955, 6 percent above 1954. Government income disbursements were equal to 17 percent of

total personal income in Montana, compared to 18 percent in the nation as a whole.

In the available information on the private non-agricultural sector of the economy, substantial increases from 1954 to 1955 in wage and salary disbursements by the mining and manufacturing industries stand out. Part of the gains were due to reduced wage payments in 1954 when labor disputes occurred in both industry groups; nevertheless, the rates of increase (22 percent for mining and 19 percent for manufacturing) are large enough to lend encouragement to those interested in the expansion of basic nonagricultural activity in Montana.

### *Increase in Agricultural Income*

Agricultural income also recorded a substantial increase in 1955, most of which went into the pockets of the state's wheat farmers. Excellent growing conditions for grain resulted in a bumper wheat crop—the second largest in history and 18 percent above 1954. This offset lower prices for most agricultural products and resulted in a 12 percent gain in total farm income, from \$209 million in 1954 to \$234 million in 1955.<sup>2</sup> Had fortune, in the form of exceptionally

<sup>1</sup>All data in this article are taken from the August 1956 **Survey of Current Business**, "Personal Income by States in 1955", published by the U. S. Department of Commerce, Office of Business Economics. Personal income is current income received by residents of the states from all sources, inclusive of transfers from government and business but exclusive of transfers among persons. Thus, it is the total of wage and salary receipts, other labor income, the net incomes of proprietors of unincorporated businesses, net rental income, dividends, interest, and government and business transfer payments (consisting, in general, of disbursements to individuals for which no services are currently rendered). It is measured before deduction of individuals' contributions to social security, government retirement, and other social insurance programs. According to members of the National Income Division, Office of Business Economics, "the personal income series is the most comprehensive available record of differences among states in economic structure and change".

<sup>2</sup>Agricultural income consists of net income of farm proprietors, farm "other" labor income, and farm wages. It is not comparable with data on cash receipts from farm marketings which appear from time to time in Montana Business.

Table 1  
TOTAL PERSONAL INCOME IN MONTANA,  
1950-1955  
(millions of dollars)

Year	Total Income
1950	957
1951	1,050
1952	1,066
1953	1,093
1954	1,074
1955	1,160

Source: U. S. Department of Commerce, Office of Business Economics.



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good weather, not smiled upon the state, agricultural income might easily have continued the decline which has been in progress for several years. Nationally, farm income was 5 percent lower in 1955 than in 1954.

### 1955 per capita income up \$109 over 1954

Montana's 1955 per capita income, at \$1,844, was \$109 (6 percent) higher than in 1954. This increase—both dollar and percentagewise—was the largest for any of the eleven western states<sup>3</sup> and exceeded

<sup>3</sup>Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona, New Mexico, Washington, Oregon and California.

Table 2

### SELECTED COMPONENTS OF PERSONAL INCOME IN MONTANA, 1954 AND 1955

	1954	1955	Percent Change
	(millions of dollars)		
Total income	1,074	1,160	8
Agricultural income <sup>1</sup>	209	234	12
Nonagricultural income	865	926	7
Government income disbursements <sup>2</sup>	183	195	6
Private nonagricultural income <sup>3</sup>	682	731	7
Wage and salary disbursements:			
Manufacturing	76	91	19
Trade & services	172	187	9
Contract construction	46	47	1
Mining	48	59	22

<sup>1</sup>Consists of net income of farm proprietors, farm "other" labor income, and farm wages.

<sup>2</sup>Consists of the total income received by residents of the state from the federal, state, and local governments.

<sup>3</sup>Total personal income less farm income and government income disbursements.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 3

### PER CAPITA INCOME IN MONTANA AND THE UNITED STATES, 1950-1955

Year	Montana	United States	Montana as Percent of U.S.
1950	\$1,606	\$1,491	108
1951	1,768	1,649	107
1952	1,780	1,727	103
1953	1,786	1,788	100
1954	1,735	1,767	98
1955	1,844	1,847	100
Percent increase, 1950-1955	15	24	—

Source: U. S. Department of Commerce, Office of Business Economics.

the national gain of \$80 or 5 percent. As a result, Montana per capita income, which had been significantly below the national in 1954 for the first time in a number of years, again approximated it—\$1,844 as compared to \$1,847. During those years when agricultural income in the state was exceptionally high, per capita income in Montana exceeded the national. In 1950, for example, Montana's per capita income was 8 percent higher than in the United States. (Table 3.)

Among the 48 states, Montana ranked 16th in per capita income in 1955. In comparison with other western states, Montana ranked very well. It stood second in the Mountain States region<sup>4</sup>, exceeded by Nevada. (Table 4.) Among the eleven western states, including the Pacific Coast states of Washington, Oregon, and California, it ranked fourth, exceeded by Nevada, California and Washington. Looking eastward, Montanans earned substantially higher per capita incomes than residents of the Dakotas, where estimates range down to \$946 in Mississippi. The heavily industrialized middle eastern states generally exceeded Montana. Delaware, with an estimated \$2,513 per person, ranked first in the United States.

### The record since 1950: less favorable

While year-to-year changes are significant, income shifts over a longer period of time provide a better perspective as to how Montana is doing in comparison with the rest of the nation. This is particularly true if the comparison is based upon a year prior to the decline in agricultural prices. Between 1950<sup>5</sup> and 1955, total personal income payments in Montana increased 21 percent; in the United States, 35 percent. During the same period, per capita income—a more meaningful measure in this instance—increased 15

<sup>4</sup>Montana, Idaho, Wyoming, Nevada, Utah, Colorado, Arizona and New Mexico.

<sup>5</sup>Earliest year for which data by income components are available.



# **MONTANA BUSINESS INDEXES** (1947-1949=100)

	Nonagr. Empl. <sup>1</sup>	Carload- ings <sup>2</sup>	Electric Power Con- sumption <sup>3</sup>	Copper Prod. <sup>4</sup>	Zinc Prod. <sup>4</sup>	Crude Oil Prod. <sup>5</sup>	Bank Debits <sup>6</sup>	Depart- ment Store Sales <sup>7</sup>	Agri- cultural Prices <sup>8</sup>	Retail Food Prices <sup>9</sup> (May 1950 =100)
1947	96.3	104.0	94.6	100.6	86.3	96.5	89.9	94.8	102	
1948	101.3	99.1	99.4	100.9	111.3	103.0	103.8	103.5	105	
1949	102.4	97.0	106.0	98.4	102.4	100.6	106.3	101.7	93	
1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
1951	105.2	110.2	114.9	99.8	143.3	98.6	128.6	107.9	118	114.8
1952	108.2	113.0	127.9	107.3	154.8	105.4	134.6	114.0	108	116.0
1953	108.9	119.3	140.9	134.9	151.6	131.1	133.9	111.0	89	113.0
1954	109.5	115.7	122.6	103.2	115.1	156.5	140.5	112.1	88	114.5
1955	113.1	125.7	169.6	141.7	129.6	172.6	153.8	118.8	—	107.7
1955—										
August	121.0	130.5	167.2	135.7	116.8	168.9	156.8	124.0	82	106.7
September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
October	118.1	154.6	211.8	154.2	133.3	155.3	176.6	136.2	82	107.9
November	114.2	146.3	226.9	164.7	129.1	167.3	170.5	142.7	79	105.1
December	112.7	134.7	225.0	151.4	121.1	195.1	164.0	194.6	77	106.1
1956—										
January	109.2	120.9	223.7	153.2	123.5	221.1	161.6	76.0	77	103.2
February	107.3	114.7	225.0	167.1	135.6	218.8	145.8	77.0	76	104.8
March	107.8	116.4	225.8	160.4	149.6	231.7	152.4	102.1	78	104.0
April	111.6	125.1	226.6	179.5	168.9	226.9	156.6	118.2	80	105.2
May	115.3	129.0	224.8	170.1	158.8	231.3	153.1	117.2	81	105.0
June	120.0	132.0	221.7	166.6	144.9	240.9	165.2	114.9	81	112.5
July	120.6	147.2	213.0	155.5 <sub>p</sub>	130.0 <sub>p</sub>	248.2	167.8	117.8	82	113.9
August	121.5 <sub>p</sub>		221.5	167.0 <sub>p</sub>	123.7 <sub>p</sub>	236.7	165.0	137.9	82	108.8
September	120.3 <sub>p</sub>						174.5		82	112.4

<sub>p</sub>preliminary      <sub>r</sub>revised

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

<sup>2</sup>Computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Computed from kilowatt hour sales of Montana Power Company, Montana-Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

<sup>5</sup>Computed from reports of Oil and Gas Conservation Commission of Montana. Daily average.

<sup>6</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

<sup>7</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

percent in Montana and 24 percent in the United States.

The failure of Montana to keep pace with the national rate of increase since 1950 is due in large part to the decline in agricultural income and the greater importance of agriculture in the state than in the nation. In 1950 agricultural income in Montana amounted to \$262 million, or 27 percent of total state personal income (\$957 million), a fairly typical immediate postwar relationship. (In the United States in 1950 agricultural income was equal to 7 percent of the total). In 1955, agricultural income in the state was 11 percent less than in 1950 and accounted for only 20 percent of total personal income. Had it not been for the exceptional wheat crop in 1955, the decline would have been much greater. For example, between 1950 and 1954, it amounted to 20 percent.

Income from nonagricultural sources in Montana was 33 percent higher in 1955 than in 1950. This compares quite favorably with a 38 percent gain at the national level, in view of the fact that many nonagricultural businesses in the state—particularly in the trade and service industries—have been ad-

versely affected by the decline in the farm market.

The drop in agricultural income since 1950 and the remarkable extent to which nonagricultural income in the state has compensated for it may be shown as follows:

	Nonagricultural Income		Agricultural Income		Total Personal Income
	\$ Million	% of Total Income	\$ Million	% of Total Income	(\$ Million)
1950	695	73	262	27	957
1953	854	78	239	22	1,093
1954	865	81	209	19	1,078
1955	926	80	234	20	1,160
% Change					
1950-1955		33		-11	21

It is probable that Montana's agricultural income in 1956 will again decline. Preliminary estimates of this year's wheat crop place it 35 percent below 1955. Prices received by Montana farmers and ranchers from January to July of this year were lower than in 1955, although recently they have climbed to last year's level<sup>6</sup>. Thus, further advances by the non-

<sup>6</sup>According to the Index of Prices Received prepared by the Agricultural Marketing Service, U. S. Department of Agriculture.



# Lumber and Wood Products Leading Manufacturing Industries in 1954

The lumber and wood products industries now rank as Montana's leading manufacturing activity, according to preliminary data from the 1954 Census of Manufactures. According to the Census figures, of the 873 manufacturing plants operating in the state in 1954, 393 (45 percent) were producing lumber or wood products. Value added by manufacture by these plants was placed at \$40,751,000, or 29 percent of total value added by all manufacture in the state.<sup>1</sup> One-third (\$6,727,000) of total capital expenditures of \$20,582,000 occurred in the lumber and wood products industries.<sup>2</sup>

<sup>1</sup>"Value added by manufacture" is equal to value of shipments of all products by manufacturing plants less cost of materials (including supplies, fuel, electric energy, etc.) used in the manufacturing process.

Of the two other major manufacturing industries in the state—food and kindred products and primary metal processing—data are available for only the former. Primary metals figures are withheld to avoid disclosures for individual companies. In 1954, 220 food and kindred products plants accounted for \$31,838,000 in value added by manufacture, 22 percent of the total.

Fastest-growing of the major manufacturing industries in the state between 1947 (date of the previous Census of Manufactures) and 1954 was the chemicals and products group, with an increase of 171 percent in value added.

<sup>2</sup>Capital expenditures include expenditures for new structures and additions (including major alterations, capitalized repairs and improvements) to the manufacturing plant; new machinery and new equipment; and capitalized repairs and improvements to existing machinery and equipment.

Number of Manufacturing Establishments and Capital Expenditures, 1954, and Value Added by Manufacture, 1947 and 1954, Montana

	Number of Establishments 1954	Value Added by Manufacture		Capital Expenditures 1954
		1947	1954	
		(\$000)		(\$000)
All industries	873	90,845	141,222	20,582
Food and kindred products	220	26,230	31,838	1,840
Lumber and wood products	393	20,665	40,751	6,727
Printing and publishing	100	6,037	9,912	299
Chemicals and products	12	2,149	5,833	<sup>1</sup>
Petroleum and coal products	10	7,855	13,677	<sup>1</sup>
Stone, clay, and glass products	29	3,607	5,937	242
Fabricated metal products	26	1,302	1,137	205
Machinery, except electrical	20	321	775	162
Miscellaneous manufactures	22	523	785	20
Primary metal products <sup>2</sup>				

<sup>1</sup>Data withheld.

<sup>2</sup>All data withheld.

Source: Bureau of the Census, Preliminary Report, 1954 Census of Manufactures, Series MC-S25.

## Income (cont.)

farm sector of the economy are necessary if total income is to be maintained at 1955 levels. Fortunately, the year thus far has been a good one for Montana's nonagricultural industries, with employment and wages at new highs.

Table 4

### PER CAPITA INCOME IN THE ELEVEN WESTERN STATES, 1955

State	Per Capita Income	State	Per Capita Income
Nevada	\$2,434	Wyoming	\$1,753
California	2,271	Arizona	1,577
Washington	1,987	Utah	1,553
Montana	1,844	Idaho	1,462
Oregon	1,834	New Mexico	1,430
Colorado	1,764	United States	1,847

Source: U. S. Department of Commerce, Office of Business Economics.

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## MONTANA BUSINESS SETTING NEW RECORDS

After a mild readjustment during the first part of the year, business activity in the United States is on the upswing again. Industrial production began to increase in August, following the settlement of the steel strike in July, and has continued upward. The immediate outlook is good. Plant and equipment outlays by private industry are expected to continue increasing; government spending (particularly state and local) is rising; the important steel and automobile industries are operating at high levels; and heavy Christmas sales at the retail level are anticipated.<sup>1</sup>

There are soft spots in some commodity markets. At least three—lumber, copper, and agriculture—are of concern to Montanans. Over-all, however, the movement appears to be upward with the economy once again facing the problem of potential inflation. Between January and September, the consumer price index rose 2 percent and the wholesale price index 3 percent. Further price increases are anticipated. The Federal Reserve System's "tight money policy" has been an attempt to curb inflationary tendencies. Some authorities have feared that rising interest rates, if successful in curbing the demand for investment funds for capital expansion, might have a deflationary rather than a stabilizing effect. Thus far these fears appear to have been unfounded. However, the maintenance of economic activity on an even keel, avoiding the twin pitfalls of deflation and inflation, continues to be a delicate process.

### *Over-all, business in Montana is good . . .*

Based on reports for the first three quarters, 1956 has been as good, or possibly a better, business year in Montana than the record 1955. Final results will depend in large part upon the volume of Christmas trade and the weather and its effect upon outdoor employment.

A new high for nonagricultural employment was set in August, with an estimated 172,000 wage and salary workers in nonfarm jobs. Through September, nonagricultural employment has been running 2 percent above last year. On the national level, employment in nonagricultural industries has exceeded 1955 numbers by approximately 3.5 percent.

The two largest employers of nonagricultural workers in the state, the trade industries and government, have accounted for the bulk of increased employment this year:

#### Nonagricultural Wage and Salary Workers<sup>2</sup> (monthly average)

	January-September		Increase
	1955	1956	—
Total	159,100	162,800	3,700
Manufacturing	20,000	20,400	400
Mining	11,800	11,900	100
Construction	11,000	11,400	400
Transportation and utilities	21,700	21,800	100
Trade	39,500	40,300	800
Finance	5,200	5,600	400
Services	20,300	20,300	—
Government	29,600	31,000	1,400

With nonagricultural employment at record levels, wage rates generally higher, and gross agricultural income slightly above last year (see below), con-

<sup>2</sup>Unemployment Compensation Commission of Montana.

#### NEW PUBLICATION

Regional Study No. 6, "Effect of Commerical Vehicle Taxation on Consumer Prices," by Dr. William S. Peters and Mr. Frederick W. Harris of the staff of the School of Business Administration, has just been published. This report was presented as part of a general study of highway needs and finances to the Montana Fact Finding Committee on Highways, Streets, and Bridges. A limited number of copies are available from the Bureau upon request.

<sup>1</sup>This article is written without reference to the current international situation and its possible effect on public and private spending.



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sumption expenditures in the state appear to have continued high. Sales of department stores through September were 4 percent higher than during January-September 1955. (Part of this gain is a reflection of higher prices rather than a larger physical volume.) Nationally, department store sales increased 5 percent over the same period. Montanans did not reduce their purchases of new cars as drastically as did consumers on the national level. Through October, new car sales were down 14 percent in the state, compared to approximately 25 percent in the United States. Bank debits in 20 Montana cities were 8 percent above January-September 1955 during the first nine months of this year.<sup>3</sup> Nationally the increase through September amounted to 9 percent.

### *... with some weak spots*

Among Montana's most important basic industries, at least three—agriculture, copper mining, and lumbering—currently face some difficulties. This is nothing new for agriculture, which has faced depressed conditions for the past four years. The copper industry is attempting to correct a situation where supply apparently exceeds demand by curtailing production. Developments in the western Montana lumber industry, where declining prices and weak demand have harassed operators, are dependent upon the national housing market. Construction activity within the state has continued high, and the outlook is promising. This is particularly true of heavy construction.

Developments in these industries are discussed in greater detail below.

### *Crop production down*

With weather conditions less favorable than in most recent years, preliminary estimates indicate that crop production was down sharply this year in

contrast to 1955. Wheat—the major crop in Montana—and barley and oats all appear to have declined about one-third. Since 1955 was an extraordinarily good crop year, output was almost certain to decline this year. However, except for spring wheat, yields per acre were somewhat lower than the average for the ten-year period, 1945-1954. No production figures for Montana's livestock industries are as yet available, but marketings, particularly of beef cattle, have been heavy this fall.

Estimates of cash receipts from farm marketings in Montana are available only through July. Reflecting lower prices, receipts from livestock were down 6 percent. Heavier marketings of grain from last year's large crop boosted crop receipts 11 percent above January-July 1955, raising total receipts to a level 4 percent above the same period last year:

### Cash Receipts from Farm Marketings<sup>4</sup>

	January-July		Percent Change
	1955	1956	
	(thousands of dollars)		
Livestock and products _____	64,980	61,360	-6
Crops _____	92,919	102,826	11
	<hr/>	<hr/>	<hr/>
Total _____	157,899	164,186	4

The index of prices received by Montana ranchers for all farm commodities stood at 82 on October 15 this year, the same as a year earlier (1947-49=100). Crop prices as a whole were slightly higher than last year (particularly hay and seeds), while livestock prices (especially cattle) were down. Prices paid by Montana farmers and ranchers for production and family living items have continued to rise, with the index at 119 on September 15, compared to 115 on September 15, 1955, and 100 during the base period 1947-1949.

Latest information released by the U. S. Department of Agriculture<sup>5</sup> indicates that despite reduced returns on investments, the value of farm real estate in Montana is continuing to increase. The index of average value per acre (including buildings) rose from 149 in July 1955 to 155 in July 1956 (1947-49=100). The total value of agricultural real estate (land and buildings) in Montana is estimated at \$1,582 million as of March 1, 1956.

### *Record production in the mineral industries through September*

**Metals.** Metal mining activity was high through the first three quarters. Average daily production of copper at the end of September was the highest for any like period since 1944 and was 22 percent above January-September 1955. Other metals also recorded substantial increases:

<sup>3</sup>Later data indicate that a 12 percent increase in October bank debits compared to October 1955 resulted in a gain of 9 percent for the first ten months over January-October 1955.

<sup>4</sup>U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>5</sup>In "The Farm Real Estate Market," July 1956.



# MONTANA BUSINESS INDEXES (1947-1949=100)

	Nonagr. Empl. <sup>1</sup>	Carload- ings <sup>2</sup>	Electric Power Con- sumption <sup>3</sup>	Copper Prod. <sup>4</sup>	Zinc Prod. <sup>4</sup>	Crude Oil Prod. <sup>5</sup>	Bank Debits <sup>6</sup>	Depart- ment Store Sales <sup>7</sup>	Agri- cultural Prices <sup>8</sup>	Retail Food Prices <sup>9</sup> (May 1950 =100)
1947	96.3	104.0	94.6	100.6	86.3	96.5	89.9	94.8	102	
1948	101.3	99.1	99.4	100.9	111.3	103.0	103.8	103.5	105	
1949	102.4	97.0	106.0	98.4	102.4	100.6	106.3	101.7	93	
1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
1951	105.2	110.2	114.9	99.8	143.3	98.6	128.6	107.9	118	114.8
1952	108.2	113.0	127.9	107.3	154.8	105.4	134.6	114.0	108	116.0
1953	108.9	119.3	140.9	134.9	151.6	131.1	133.9	111.0	89	113.0
1954	109.5	115.7	122.6	103.2	115.1	156.5	140.5	112.1	88	114.5
1955	113.1	125.7	169.6	141.7	129.6	172.6	153.8	118.8	—	107.7
1955—										
September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
October	118.1	154.6	211.8	154.2	133.3	155.3	176.6	136.2	82	107.9
November	114.2	146.3	226.9	164.7	129.1	167.3	170.5	142.7	79	105.1
December	112.7	134.7	225.0	151.4	121.1	195.1	164.0	194.6	77	106.1
1956—										
January	109.2	120.9	223.7	153.2	123.5	221.2	161.6	76.0	77	103.2
February	107.3	114.7	225.0	167.1	133.6	218.8	145.8	77.0	76	104.8
March	107.8	116.4	225.8	160.4	149.6	231.7	152.4	102.1	78	104.0
April	111.6	125.1	226.6	179.5	168.9	226.9	156.6	118.2	80	105.2
May	115.3	129.0	224.8	170.1	158.8	231.3	153.1	117.2	81	105.0
June	120.0	132.0	221.7	166.6	144.9	240.9	165.2	114.9	81	112.5
July	120.6	147.2	213.0	155.5	130.0	248.2	167.8	117.8	82	113.9
August	121.5	151.5	221.5	167.0	123.5	236.9	165.0	137.9	82	108.0
September	120.3	157.4	224.1	177.6	115.7	232.5	174.5	137.9	82	112.4
October							191.2		81	108.5

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

<sup>2</sup>Computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Computed from kilowatt hour sales of Montana Power Company, Montana-Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

<sup>5</sup>Computed from reports of Oil and Gas Conservation Commission of Montana. Daily average.

<sup>6</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on data from banks in 16 Montana communities. Daily average.

<sup>7</sup>Computed from reports of Federal Reserve Bank of Minneapolis, based on dollar sales of 80 to 89 department and general stores in Montana. Daily average.

<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

## Daily Average Production, Selected Montana Minerals<sup>6</sup>

	Jan.-Sept. 1955	1956	Percent Increase
Copper (tons)	251.2	305.5	22
Lead (tons)	52.9	62.2	18
Zinc (tons)	220.2	234.7	7
Silver (fine ounces)	18,186.2	20,468.5	12
Gold (fine ounces)	77.7	96.0	24

In recent months, demand for copper has declined. In response, major producers have lowered prices and are currently curtailing production. The first price cut, from 46 to 40 cents per pound, came in August; in October it was again reduced, to 36 cents. Overtime and holiday work is being curtailed at Butte and other United States copper mining areas, as the industry attempts to bring supply into balance with demand. Conversion to the normal five-day work week will result in production rates below those of the first three quarters of 1956, but exceeding those of most other recent years. Demand for copper is expected to increase next year and the long-run outlook for copper mining in the state is good.

<sup>6</sup>U. S. Bureau of Mines.

**Petroleum.** Eastern Montana's petroleum industry continues to set new production records. Crude output for the first three quarters (on a daily average basis) was 35 percent above January-September 1955 and 131 percent above the same months in as recent a year as 1952. In spite of its rapid growth, however, the petroleum industry in the state currently accounts for less than one percent of the national production of crude oil.

With the completion of the Butte Pipeline from the eastern part of the state to Wyoming, tying in with lines to the Midwest, new markets for Montana crude oil have opened up and exports have more than doubled. For the nine months ended in September the daily average amount of crude oil exported was 118 percent greater than during January-September 1955.

Output of Montana refineries also is increasing very rapidly. Daily average amounts of crude oil refined in the state (including imports from Wyoming and Canada) through September of this year were 60 percent above the same months in 1955, reflecting increased capacity of refineries in the state.



## Crude Oil Produced, Exported, and Refined<sup>7</sup>

(Daily Average)

	January-September 1955	1956	Percent Increase
	(barrels)		
Crude oil produced —	42,800	57,700	35
Crude oil exported —	14,700	32,100	118
Crude oil refined <sup>8</sup> —	39,400	62,900	60

### Lumber industry faces weak market

Montana's lumber industry—of great importance in the western part of the state—has felt the effect of declining home construction on the national level. Production has been only slightly below last year (perhaps 2 percent through September),<sup>9</sup> but stocks are up and demand is down. Although employment was maintained at 1955 levels through September, there were reports of earlier-than-usual seasonal layoffs by lumber mills during the latter part of the month and in October. Some small mills have suspended operation while waiting for a change in the market. Little improvement can be anticipated before next spring.

New developments are occurring in the forest products industry as a whole, however, which promise further expansion as well as greater diversity and stability. Construction of Montana's first pulp mill is underway at a site near Missoula. The \$6 million plant, being built by the Waldorf Paper

Products Company, will have a daily capacity of 250 tons. Chips will be purchased from western Montana sawmills, several of which plan to install chippers and barkers in order to capitalize on the new market. A second pulp mill has been proposed for the Libby area. Among other new developments in the industry are a new box factory under construction at Columbia Falls and a proposal for a plywood plant at Whitefish.

### Construction activity high

The limited information available indicates that construction activity in Montana has exceeded last year. Average monthly employment through September was the highest ever recorded and 4 percent above January-September 1955, in spite of the fact that the number of workers employed fell slightly below the 1955 level in the peak months of August and September. Large-scale employment on projects such as Noxon Rapids Dam and the air base at Glasgow has been a major factor in maintaining employment.

The value of building permits issued in 50 Montana towns and cities during the first three quarters totaled \$32.7 million, 8 percent above the \$30.3 million figure for January-September 1955<sup>10</sup>. The number of permits for new houses was down, with commercial and industrial building accounting for the increase. It should be noted that building permit data (limited to building within city limits) do not constitute a satisfactory measure of total construction activity in the state.

<sup>7</sup>Oil and Gas Conservation Commission of Montana.

<sup>8</sup>Including oil imports from Wyoming and Canada.

<sup>9</sup>Based on reports of the Western Pine Association for Montana, South Dakota, and Wyoming.

<sup>10</sup>Federal Reserve Bank of Minneapolis.



## MONTANA BUSINESS

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# MONTANA BUSINESS

BUREAU OF BUSINESS  
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SCHOOL OF BUSINESS ADMINISTRATION MONTANA STATE UNIVERSITY

## BUILDING AND LOAN ASSOCIATIONS IN MONTANA

Twenty-one building and loan associations play an important role in Montana's financial structure. Since World War II, they have been among the fastest-growing financial institutions in the state. Total assets of twenty associations increased from \$20 million to almost \$79 million (293 percent) between December 31, 1946, and June 30, 1956.<sup>1</sup> Over the same period, the number of saving members increased from 8,400 to 30,800; the number of borrowing members from 4,700 to 12,700.

### *Development and Growth*

Building and loan associations, or savings and loan associations as they are often called, collect funds and use them primarily to make loans on urban residential real estate. The first such association in the United States was organized in Philadelphia in 1831. It, like many other early associations, was a temporary cooperative association. Under this type of organization, a group of people would form an association and agree to purchase shares by paying a certain amount of money per month. The funds collected were used to finance the purchase or construction of homes by the members. The homes were mortgaged to the association, and paid off when the amount of the shares purchased equalled the amount of the loan. When all the members had homes and all mortgages were paid off, the association was dissolved. Later the amortized loan plan, with monthly payments to interest and principal, was evolved. This plan has now become the standard pattern for almost all home mortgage loans granted in this country.

It soon became apparent to the early organizers that many persons who had no interest in borrowing money to buy or build a home were interested in building and loan associations as savings institu-

tions. The savings of these persons could provide a means of capital accumulation for home financing, and a permanent organization would attract more funds than would a temporary one. Thus modern building and loan associations are permanent rather than temporary associations and their members consist of two groups—saving and borrowing members. Neither group is exclusive; saving members frequently become borrowing members and vice versa.

The first building and loan association in Montana, the Home Building and Loan Association, was organized in Helena in 1885 and is still in operation. By 1892, there were five associations in the state, and by 1918, there were eighteen, with combined assets of over \$2 million. The housebuilding boom which

Table 1

### ASSETS AND LIABILITIES OF BUILDING AND LOAN ASSOCIATIONS IN MONTANA, DECEMBER 31, 1946 AND JUNE 30, 1956

	December 31, 1946	June 30, 1956
<b>Number of Associations</b>	<b>19</b>	<b>20</b>
<b>ASSETS</b>		
First Mortgage Bonds .....	\$12,500,000	\$64,903,000
Cash on Hand and in Banks .....	628,000	3,961,000
U. S. Govt. Bonds .....	6,300,000	7,391,000
Other Assets .....	604,000	2,537,000
<b>Total Assets .....</b>	<b>\$20,032,000</b>	<b>\$78,792,000</b>
<b>Number of Borrowing Members</b> .....	<b>4,740</b>	<b>12,663</b>
<b>LIABILITIES</b>		
Saving Share Accounts .....	\$17,684,000	\$71,533,000
Reserves and Surplus .....	1,666,000	4,905,000
Other Liabilities .....	682,000	2,354,000
<b>Total Liabilities .....</b>	<b>\$20,032,000</b>	<b>\$78,792,000</b>
<b>Number of Saving Members</b> .....	<b>8,429</b>	<b>30,845</b>
Saving Share Accounts, Butte Branch, Prudential Federal Savings and Loan Association .....	\$ 4,178,000	\$30,425,000

<sup>1</sup>Data for the Butte Branch of the Prudential Savings and Loan Association of Salt Lake City are reported in Utah. With respect to savings, the Butte Branch is the largest and one of the most rapidly expanding associations operating in Montana.



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## BUREAU OF BUSINESS AND ECONOMIC RESEARCH

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MAXINE JOHNSON, Research Associate

followed the end of World War I greatly accelerated the growth, with the number of institutions increasing to 27 and combined assets increasing over tenfold, to \$21 million in 1929.

This trend was soon reversed, and building and loan associations on both the national and state levels were faced during the depression of the thirties with mounting withdrawals of savings and delinquencies on loans. In Montana the number of associations declined, as a result of liquidations or mergers, from twenty-seven to nineteen and assets fell from \$21 million in 1929 to a low of \$11 million in 1936. None of the liquidations which occurred in the state, however, resulted in a financial loss to members.

### Postwar Expansion

The depression and World War II curtailed the development of building and loan associations for a decade and a half. Since the end of the war, how-

ever, the tremendous boom in home construction has resulted in a correspondingly rapid growth in home financing institutions. Building and loan associations have been in the forefront in this postwar expansion. Table 1 shows the substantial increase in membership and the growth of combined assets of associations in Montana, from \$20 million on December 31, 1946, to almost \$79 million on June 30, 1956. With the exception of one new association, the First Federal Savings and Loan Association of Kalispell, organized in 1955, the number of savings and loan institutions in the state has remained constant. This means that individual associations have experienced very large rates of growth.

The twenty local associations doing business in the state are located in Big Timber, Billings (3), Bozeman, Deer Lodge, Dillon, Glendive, Great Falls (3), Havre, Helena (2), Kalispell, Livingston, Missoula (3), and Sidney. In addition, the Prudential Federal Savings and Loan Association of Salt Lake City, Utah, operates a Butte Branch.

The basic principles of building and loan associations are stated as the promotion of thrift and home ownership. The contributions of Montana associations in these areas are evidenced by the data in Tables 1 and 2. On June 30, 1956 over 30,800 persons had \$71.5 million in savings on deposit with the twenty local associations; savings in the Butte Branch of Prudential Federal in the amount of \$30.4 million made the total approximately \$102 million. (Table 1.) This figure represents an increase of 366 percent over the \$21.9 million on deposit on December 31, 1946, and may be compared with the \$147 million in time deposits in commercial banks in the state. Most savings and loan associations accept savings in the same manner as savings departments of banks. However, the savings accounts in building and loan associations represent share interests in the asso-

Table 2

### NUMER AND AMOUNT OF LOANS AND AVERAGE SIZE OF LOAN BY MONTANA BUILDING AND LOAN ASSOCIATIONS, 1946-1955, AND FIRST SIX MONTHS OF 1956

Year	All Loans		Purpose of Loan				Average Size of Loan	
	Number	Amount	New Construction	Purchase of Homes	Other Purposes <sup>1</sup>			
			Number	Amount	Number	Amount	Number	Amount
1946	2,148	\$ 7,605,600	278	\$1,239,100	1,281	\$4,963,600	589	\$1,403,000
1947	1,983	7,225,100	314	1,379,200	873	3,691,100	796	2,154,800
1948	2,153	7,116,200	571	2,652,100	656	2,893,200	926	1,570,900
1949	2,277	8,325,600	550	2,859,800	590	2,501,200	1,137	2,964,600
1950	2,640	11,217,700	826	4,427,000	713	3,353,600	1,101	3,437,100
1951	2,146	10,986,800	477	3,210,800	600	3,767,400	1,069	4,008,600
1952	2,380	13,359,200	504	3,778,800	742	5,081,400	1,134	4,498,900
1953	2,638	15,064,600	642	5,006,400	728	4,678,400	1,268	5,379,800
1954	2,978	18,794,600	768	5,921,400	951	7,393,200	1,259	5,480,000
1955	3,116	21,114,600	715	6,084,300	1,139	9,210,200	1,262	5,820,000
First six months, 1956	1,571	11,485,100	328	2,978,600	528	4,590,600	715	3,915,900

<sup>1</sup>Includes loans for refinancing mortgages held by others, for repairs and reconditioning, and for other purposes. Source: Montana Building and Loan League.



# MONTANA BUSINESS INDEXES (1947-1949=100)

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1950	103.8	103.8	112.5	95.0	128.3	89.3	117.4	104.1	100	
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September	120.0	142.4	195.2	130.8	126.8	157.7	171.0	133.6	82	108.6
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July	120.6	147.2	213.0	155.5	130.0	248.2	167.8	117.8	82	113.9
August	121.5	151.5	221.5	167.0	123.5	236.9	165.0	137.9	82	108.0
September	121.1	157.4	224.1	182.2 <sub>r</sub>	132.0 <sub>r</sub>	232.5	174.5	137.9	82	112.4
October	119.5	163.5	221.6	173.5 <sub>p</sub>	115.4 <sub>p</sub>	240.9	191.2	145.8	81	108.5
November	—	—	—	—	—	—	182.0	—	83	111.5

r—revised p—preliminary

<sup>1</sup>Computed from estimates of Unemployment Compensation Commission of Montana. Estimates include all full- and part-time wage and salary workers who worked or received pay during the pay period ending nearest the 15th of the month.

<sup>2</sup>Computed from reports of Board of Railroad Commissioners of the State of Montana, comprising total carloadings of freight loaded at Montana points. Daily average.

<sup>3</sup>Computed from kilowatt hour sales of Montana Power Company, Montana-Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration, and the Bureau of Reclamation to commercial and industrial users for consumption within Montana, reduced to hourly average kilowatt hours per month.

<sup>4</sup>Computed from reports of U. S. Bureau of Mines. Daily average.

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<sup>8</sup>Prices received by Montana farmers and ranchers for all farm products. U. S. Department of Agriculture, Agricultural Marketing Service.

<sup>9</sup>Computed from reports of the Montana Department of Labor and Industry.

ciation. Although savings are not accepted on a demand basis, most associations find it advantageous to follow a policy of the immediate granting of requests for withdrawal. Dividend rates paid on savings shares vary among associations. In Montana, rates currently vary from 3 to 4 percent, with 3 percent the most common rate. All associations are required by federal or state law to make substantial additions to reserve accounts each year to provide a cushion against losses for the protection of the saving members.

The volume of loans extended by Montana building and loan associations increased from \$7.6 million per year in 1946 to \$21.1 million in 1955, a growth of 178 percent. The rate of increase appears to have slowed in 1956, with loans during the first six months amounting to \$11.5 million. This is due to the decreased rate of new housing starts, which nationally is 17 percent below 1955. Future loan volume will depend largely upon population growth in Montana with the resulting housing demand and upon developments in the money market. With the rise in

real estate values and the tendency toward larger and better quality homes, the average size of loan increased from \$3540 in 1946 to \$6776 in 1955. During the first six months of 1956, the average size of loan again increased to \$7,311.

Over the ten and one-half year period from 1946 through June 1956, building and loan associations in the state made 26,030 loans in the total amount of \$132.3 million:

	Number	Amount
All loans	26,030	\$132,295,000
For new construction	5,973	39,537,600
For purchase of homes	8,801	52,123,800
For other purposes <sup>1</sup>	11,256	40,633,500

This record is impressive when one considers that it means that since 1946 about one-seventh of the approximately 183,000 families in Montana have obtained financing for the construction, purchase, or remodeling of homes from a building and loan association.

<sup>1</sup>Includes loans for refinancing mortgages held by others, for repairs and reconditioning, and for other purposes.



In addition to conventional loans, building and loan associations in Montana have been active in the Veterans and FHA loan fields. Of total mortgages held on December 31, 1955 approximately 28 percent of the total was Veterans Administration guaranteed loans; 16 percent, FHA insured loans; and 56 percent, conventional loans. The average size of veterans' loan made in 1955 was \$9,729, compared to an average of \$6,776 for all loans.

### Organization and Supervision

Savings and loan associations operate under the corporate form of business organization. They are classified as mutual or cooperative organizations. Because they are public service institutions, building and loan associations receive their charters from and are supervised by a governmental agency, either at the state or federal level. Fifteen of the twenty local associations in Montana are state chartered and come under the jurisdiction of the Superintendent of State Banks. Five associations are chartered by the federal government and are supervised by the Federal Home Loan Bank Board. All federal savings and loan associations are required to be members of one of the Federal Home Loan Banks. State-chartered institutions are permitted to join if they meet the entrance requirements and submit to the supervision of the district bank. The Federal Home Loan Banks, authorized in 1932, perform much the same functions for lenders on urban residential real estate as do Federal Reserve Banks for their member commercial banks. They do not, of course, have the power to create money. Twelve Montana building and loan associations (the five federal plus six

state institutions and the Butte Branch of Prudential Federal) are members of the Federal Home Loan Bank of San Francisco and have their accounts insured by the Federal Savings and Loan Insurance Corporation, the counterpart of the Federal Deposit Insurance Corporation which protects commercial bank accounts. These twelve associations currently hold 95 percent of the total savings in building and loan associations in the state. Each individual account is insured up to a maximum of \$10,000 by the Federal Savings and Loan Insurance Corporation. In addition, three state chartered associations are members of the Federal Home Loan Bank of San Francisco, but do not have their shares insured by the Federal Savings and Loan Insurance Corporation. These federal agencies—the Home Loan Banks and the Savings and Loan Insurance Corporations—have substantially strengthened the building and loan system.

Building and loan associations in Montana have as their trade association the Montana Building and Loan League, which dates back to 1920. In matters of interest at the national level, the state league works with the United States Savings and Loan League and the National Savings and Loan League.

### CASH RECEIPTS FROM FARM MARKETINGS IN MONTANA, FIRST NINE MONTHS, 1955 AND 1956 (thousands of dollars)

	First Nine Months		Percent
	1955	1956	Change
Livestock and products	91,186	87,369	-4.2
Crops	148,632	147,221	-0.9
Total	239,818	234,590	-2.2

Source: U. S. Department of Agriculture, Agricultural Marketing Service.



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